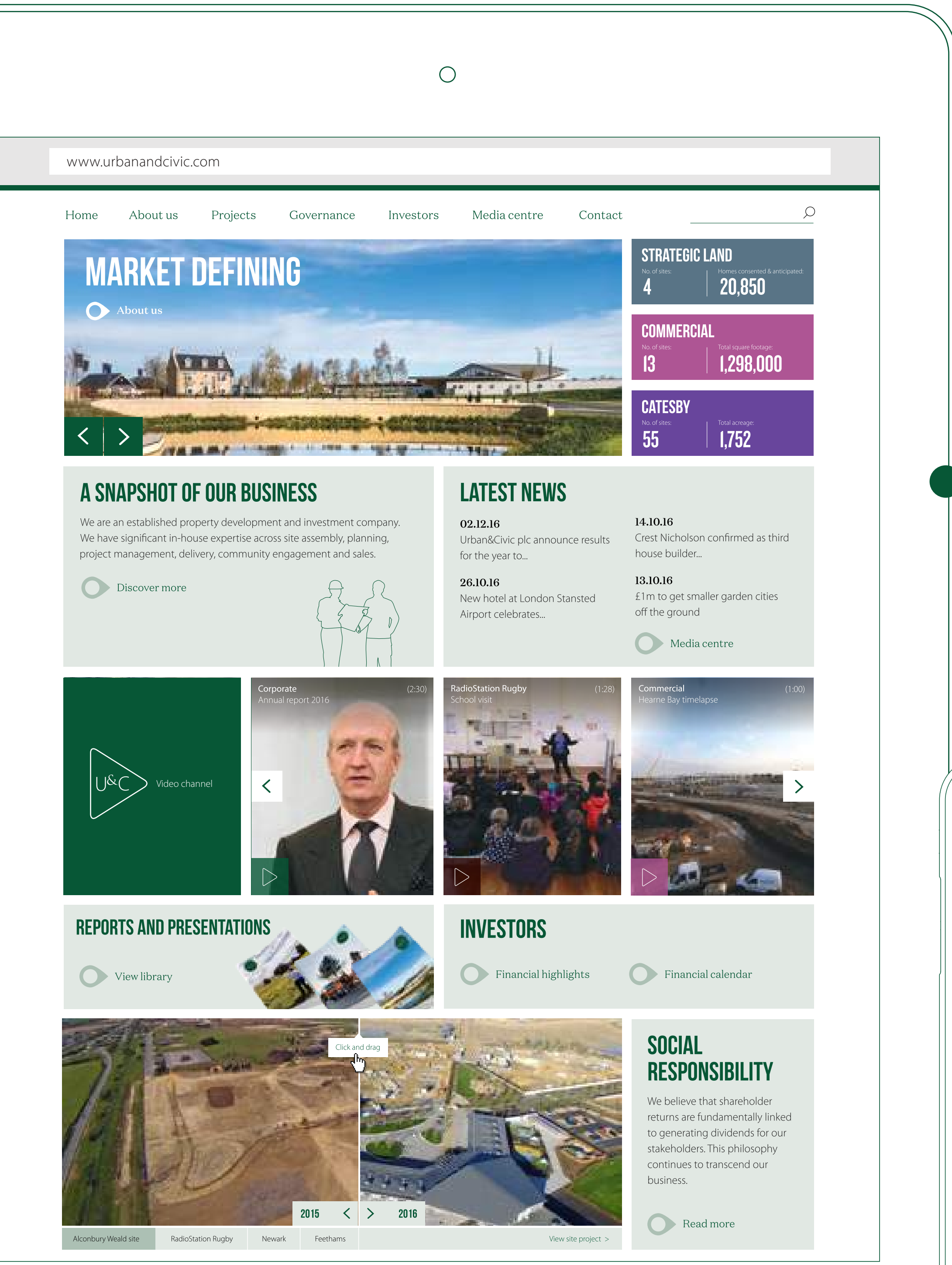
Urban&Civic plc

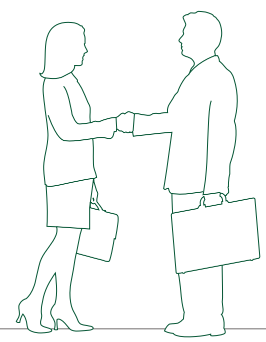
Annual Report and Accounts 2016

THE BIGGER PICTURE

Our 2016 Annual Report is just part of Urban&Civic's commitment to providing clear and transparent information about the way we run our business.

Online...





In person...

In this report...

S STRATEGIC REPORT

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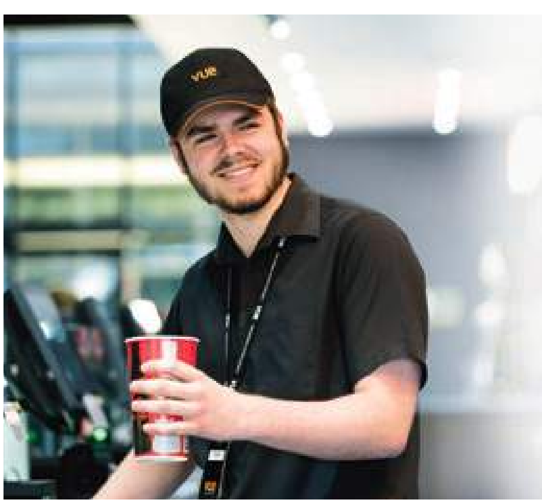


STRATEGIC REPORT

"At Bridge Quay, Urban&Civic has delivered a well thought out design with a highly desirable standard throughout. I am absolutely delighted with my flat; it's a joy to live in such a beautiful place.

KELLY THOMAS
Owner-occupier
Bridge Quay, Bristol

STRATEGIC PRIORITIES

Urban&Civic strives to be a best in class property company which crafts strategic sites and commercial developments that provide a tangible financial dividend for our investors and a social dividend for our stakeholders. We believe in doing things right and we define ourselves by the quality of our projects.

Our core business focus is on strategic sites where, as Master Developer, we deliver fully serviced land parcels for new homes and businesses, together with the schools, open space, infrastructure and roads necessary for high quality and vibrant mixed-use communities.

Our wider, trading-focused business promotes and delivers commercial developments and smaller scale residential consents on bespoke sites.

Urban&Civic's business model is driven by five strategic priorities against which we measure our success and assess our key risks:

p38 Strategic site review pages 38 to 53

p54 Commercial review pages 54 to 59

p60 Catesby review pages 60 to 63

Waterbeach consultation page 48

1

Secure additional strategic land holdings/consents

Urban&Civic, as a market leader in the delivery of strategic sites, is actively pursuing a range of sites within 100 miles of London, either via off-market negotiations or through public procurement processes. We target sites which, through our business process, are capable of achieving an outline planning permission within three years. Our target is to establish a pipeline of over 40,000 units.

p34 Key risks
R1, R2, R3, R4, R5, R8

2

Increase the volume of serviced residential and employment land for the market

The combination of our own capital and funding provided by the Homes and Communities Agency allows us to accelerate the delivery of infrastructure, opening up additional points of sale and, therefore, increasing the pace with which serviced land is released. We are packaging land parcels on a consistent and capital-efficient basis allowing our customers, whether large or small, to commence and progress their development quickly.


Serviced land parcel at Alconbury page 40

p34 Key risks
R2, R5, R6, R7, R8


Alconbury Weald, Hopkins Homes

CGI of Wolverhampton scheme page 57

3

Identify and deliver further trading opportunities

We will resource our commercial and Catesby businesses to target shorter-term projects across a wider geography for which there is identified market demand on a capital efficient basis. We have strong relationships with our housebuilder customers which assists with the targeting of sites and the track record of our commercial delivery creates opportunities.

p34 Key risks
R1, R2, R4, R5, R6, R7, R8

4

Sustain and enhance the quality of placemaking

The quality of placemaking achieved by Urban&Civic is increasingly recognised in the market as being a point of differentiation for stakeholders and supporting increased sales values for our customers. This has been achieved by maintaining an absolute focus on design and materials during the planning and infrastructure stages. We have established design and delivery guidance for our contractors and customers alike and work alongside them to maintain standards as the volume of delivery increases. Our licence model for housebuilders on strategic sites also ensures that we share in the value uplift created by the quality of the wider site.

School at Alconbury page 40

p34 Key risks
R2, R6, R8

Community building at Rugby page 44

5

Deliver returns for investors and other stakeholders

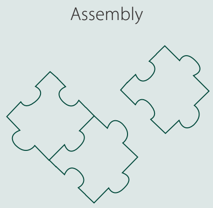
Our business model targets growth in the EPRA net asset value of our portfolio to underpin shareholder return. To achieve this, in addition to our other strategic priorities, we ensure that the delivery of our sites creates new jobs, enhances skills and provides opportunities for communities and stakeholders. By doing things right, being innovative and working with people who are passionate about their area, Urban&Civic is able to make a difference as well as continuing to attract the best people, projects and partners.

p34 Key risks
R1, R2, R4, R8

Feethams, Darlington

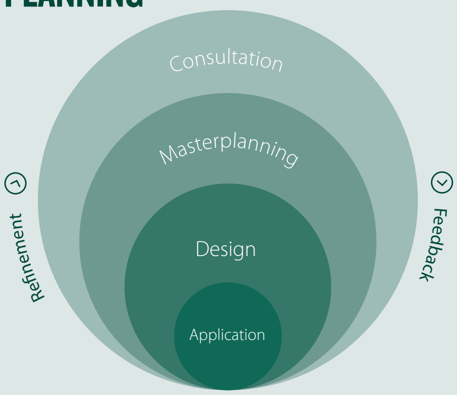
BUSINESS MODEL

LAND



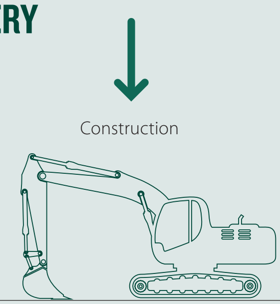
- Land of all shapes, sizes and historic uses is the raw ingredient of our business.
- We are highly skilled at reviewing and appraising opportunities together with assembling and derisking complex sites via acquisition, joint venture, development management and compulsory purchase where necessary.
- We can unlock value in land that housebuilders or other developers would pass over as too complex, too messy or too long-dated because, as Master Developer, we are prepared to invest early and our team's experience creates confidence in delivery.

PLANNING



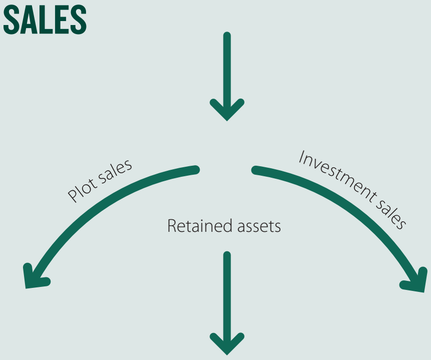
- We love planning and have significant in-house expertise.
- We enjoy investing our time and energy in getting to know an area, drawing on the experience of the people who live and work there already.
- Whilst Urban&Civic actively stewards a world-class team of architects and consultants, our team, including our Chief Executive, engages directly with stakeholders and communities alike.
- Trust needs to be earned and working with stakeholders throughout the evolution of design is essential.
- We realise that large-scale schemes are both disruptive and complex and therefore we work closely with local authorities and parish councils and provide support where they feel it is required.
- By dealing with planning issues across a full spectrum of projects we identify innovative ways to resolve complex issues and unlock sites which have historically been subject to objections and delay.

DELIVERY



- Our internal development and project management expertise informs all stages of our work and allows us to de-risk issues at the earliest opportunity.
- We have a clear visibility on pricing and construction techniques from the scale of our delivery across competitive projects, as well as strong relationships to promote local employment with key contractors.
- We are a trusted partner of county councils, Highways England, the HCA and government departments to deliver strategic infrastructure accelerated by public grant and/or loan funding.

SALES



- We sell fully serviced residential and employment plots on our strategic sites, de-risked residential land parcels from Catesby, homes on high density city centre sites and, where we don't retain for income, completed commercial properties.
- Across our strategic sites, we run a competitive bid process for residential parcels with a detailed pack of information, creating a consistent and recognisable serviced land product.
- Our "oven ready" product is attractive to national and regional housebuilders and allows regional housebuilders access to large-scale sites with a significant pipeline.
- By bringing forward a number of large-scale strategic sites in parallel, where housebuilders have missed out on a particular opportunity, we have been able to offer them an alternative parcel.
- Employment parcels are offered on either a selfbuild or completed unit basis and with a variety of land ownership structures depending on user requirements.

RETURNS

Long-dated recurring cash flows + Income + Near-term profit realisation

=

NAV growth, Solid EPRA profits and dividends

- We closely monitor costs, values and progress throughout the year with the finance team embedded within the projects, monitoring progress and identifying variances. As a business, given the range of sites and projects, we judge our overall success by the growth in the EPRA NAV and total shareholder return. Our staff incentivisation is entirely aligned with these metrics.
- For our strategic sites, our project teams include people who specifically focus on community and stakeholder relationships at a local level. Throughout the planning and delivery process we identify projects and opportunities within and around our sites which we can assist with the use of land, skills and funding. We are proud to have created jobs, invested in local projects, created high quality publicly accessible open spaces and accelerated the delivery of schools and strategic roads by listening to what people want and addressing challenges head on. The skills developed are also reinvested into the quality and speed of delivery that we can achieve on site.

U&C 2016 PERFORMANCE

1,146

Homes contracted:

- 981 strategic land
- 165 Catesby

£50m*

Contracted minimum receipts over five years

* Unindexed and in respect of strategic land.

£78m

Disposal proceeds:

- £44m commercial
- £34m homes

1,650 units

Detailed residential planning consents obtained

£92m

Homes and Communities Agency committed loan facilities

720,000 sq. ft.

Commercial land sales

£101m

Development expenditure

2

Schools built or under construction

9.4%*

Gearing (net debt as ratio to net assets)

* Nil following completion of Herne Bay sale.

Turnover

+71.5%

2016	£95.2m
2015	£55.5m

Profit before tax

+270.0%

2016	£25.9m
2015	£7.0m

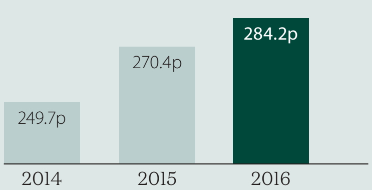
Employees

63

Average length of service	4.7 yrs
New joiners	15

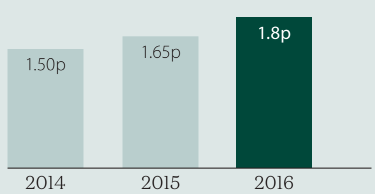
EPRA NAV per share

+5.1%



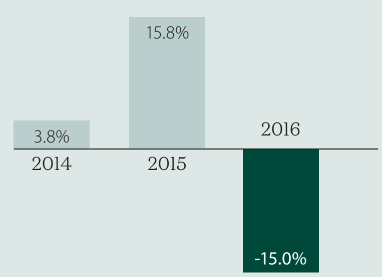
Final dividend per share

+9.1%



Total shareholder return

-15.0%



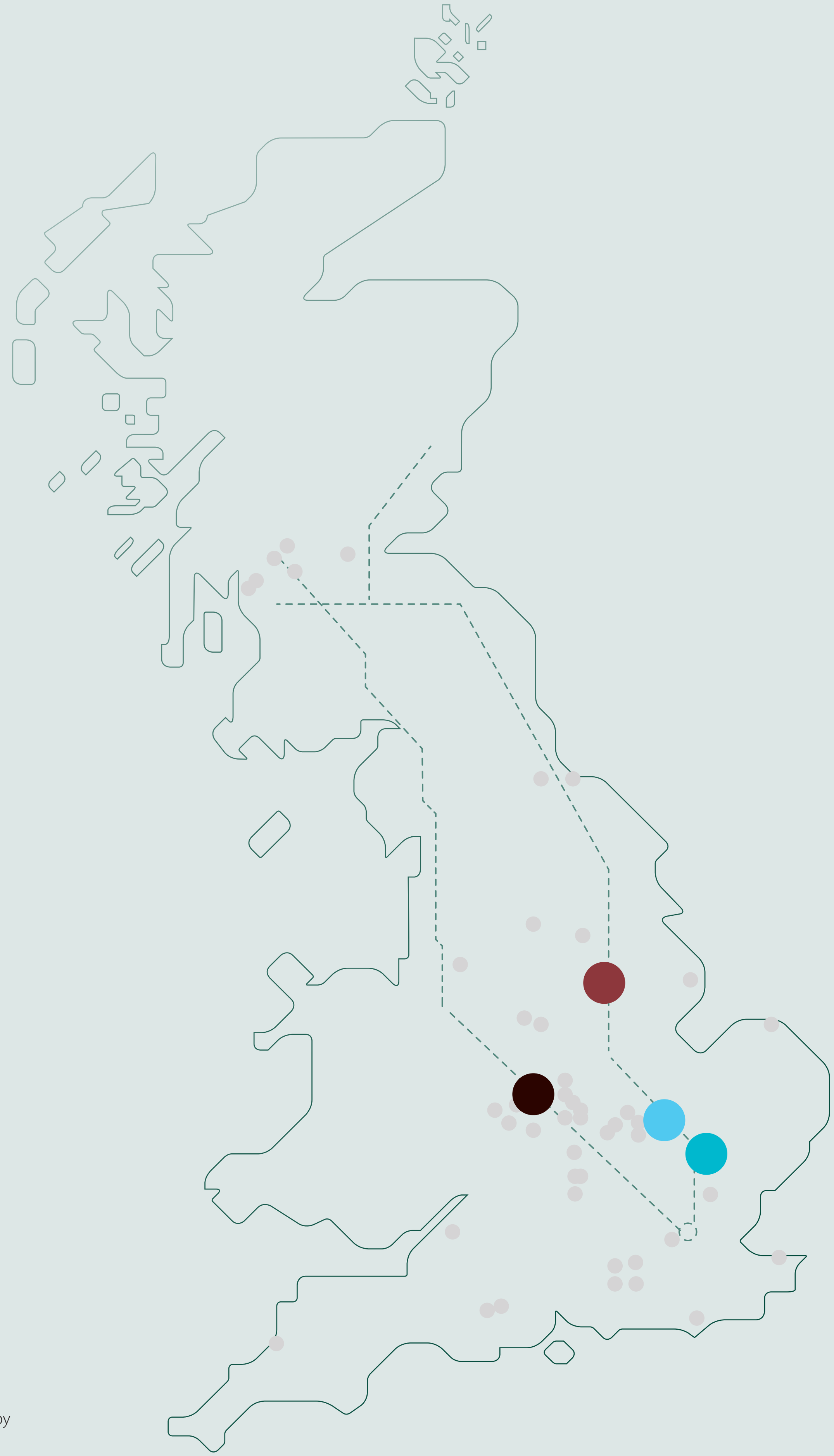
U&C PORTFOLIO

ALCONBURY WEALD

RADIOSTATION RUGBY

WATERBEACH BARRACKS

NEWARK



Other sites – Commercial/Catesby

East and West Coast mainlines

EPRA PROPERTY OVERVIEW

£407.6m

30 September 2016

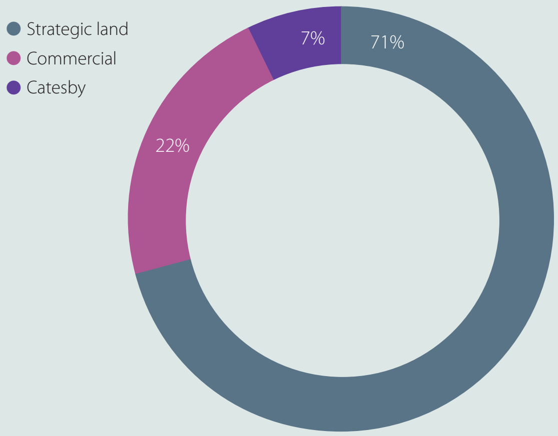
EPRA property values

£343.4m

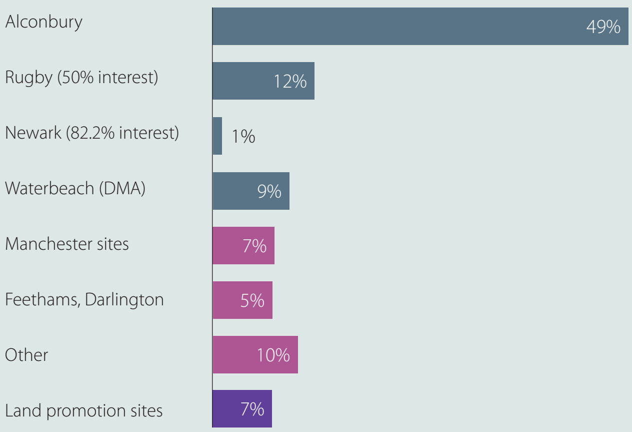
30 September 2015

EPRA property values

BY BUSINESS SEGMENT
30 SEPTEMBER 2016



BY PROPERTY
30 SEPTEMBER 2016



STRATEGIC LAND

IN DELIVERY 24%

Alconbury Weald

Consented:

5,000 homes

Serviced land plots contracted or on own account:

630

IN DELIVERY 30%

RadioStation Rugby

Consented:

6,200 homes

Serviced land plots contracted or on own account:

716

IN PLANNING 31%

Waterbeach Barracks

Anticipated:

6,500 homes

COMMERCIAL

COMPLETED 25%

Scale:

326,000 sq.ft.

Sites completed and sold or held:

6

Sites:

- Sainsbury's Foodstore, Herne Bay (sold)
- Watervole Way, Doncaster (sold)
- Bridge Quay, Bristol (sold)
- Canningford House, Bristol
- Hudson Quay, Middlesbrough
- Feethams, Darlington

Dwellings: **59**

IN CONSTRUCTION 14%

Scale:

184,000 sq.ft.

Sites in construction:

2

Sites:

- Stansted Airport Hotel, Stansted
- Bude, Cornwall

IN PLANNING 49%

Scale:

637,000 sq.ft.

Sites in/with planning:

3

Sites:

- Gallagher Leisure Park, Bradford
- Princess Street, Manchester
- Deansgate, Manchester

Dwellings: **c.950**

CATESBY

SOLD 2%

Scale:

29 acres

Sites sold:

3

Sites:

- Sherborne
- Shefford
- Stadhampton

Plots: **240**

CONSENTED 26%

Scale:

461 acres

Sites consented:

15

Sites:

- Alfold
- Kedleston
- Brampton
- Bude
- Potton
- Willingdon
- Kerswell
- Bertram
- Shotts
- Patna
- Kilmarnock
- Carluke
- Fenwick
- Armadale
- Northam

Plots: **2,685**

IN PLANNING 30%

Scale:

517 acres

Sites in planning:

20

Sites:

- Bromsgrove
- East Buckingham
- East Horsley
- Islip
- Sandiway
- Abingdon
- Wootton
- Felsted
- Wilstead
- Farnham
- Marcham
- Pulborough
- Countesthorpe
- Cropredy
- Leamington
- Kenilworth Woodside
- Crew Lane, Kenilworth
- Harrold
- Warwick
- Balsall Common

Plots: **3,583**

IN DELIVERY 15%

Newark

Consented:

3,150 homes

Serviced land plots terms agreed or on own account:

252

Consented and anticipated:

20,850 homes

Alconbury Weald	24%
RadioStation Rugby	30%
Waterbeach Barracks	31%
Newark	15%

p38 Strategic site review
pages 38 to 53

ACQUIRED 12%

Scale:

151,000 sq.ft.

Sites acquired:

2

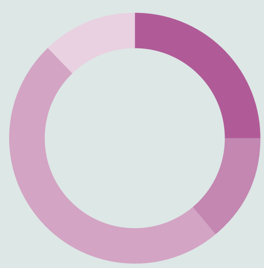
Sites:

- Westside, Wolverhampton*
- Skelton, East Cleveland

* Preferred partner.

Total square footage:

1,298,000 sq.ft.



Completed	25%
In construction	14%
In planning	49%
Acquired	12%

p54 Commercial review
pages 54 to 59

IN PRE-PLANNING 42%

Scale:

745 acres

Sites pre-planning:

17

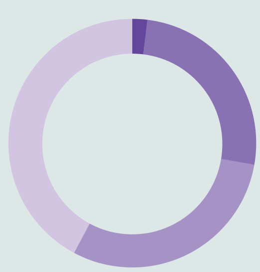
Sites:

- Newbury
- Didcot
- Melksham
- Battle
- Cosby
- Crowborough
- Marston Moretaine
- Framfield
- Goffs Oak
- St Margarets
- Solihull
- Meriden
- Wyatts Green
- Godstone
- Hayes
- Hellingly
- Middleton Cheney

Plots: **c.3,203**

Total acreage:

1,752 acres



Sold	2%
Consented	26%
In planning	30%
Pre-planning	42%

p60 Catesby review
pages 60 to 63

Strategy built on experience

ALAN DICKINSON
Non-Executive Chairman

Against a background of events in the UK and abroad, Urban&Civic has achieved strong performance. This year was always going to be about delivery and this has been amply demonstrated by material progress on our larger sites – in particular Alconbury and Rugby, together with a strong contribution from Catesby, the build out on programme and on budget of the retail store at Herne Bay and the residential apartments in Bristol. Proceeds well over attributed book value were achieved.

Our management team has performed successfully through UK property cycles for over 30 years and our strategy has been soundly built on the back of that experience. We have come to recognise that the employment confident parts of the rest of the country typically outperform London in the back half of such cycles. Urban&Civic is positioned on that specific basis. It would be naive to discount forthcoming challenges, but our chosen geographical locations (broadly 100 miles outside of London and the strongest regional cities) and the level of minimum down payments for serviced plots that we are now contracted to receive should afford us good protection, as well as flexibility.

We have deliberately chosen to be very prudent in financial management. EPRA net gearing as at 30 September 2016 was 8.4 per cent. Following the new loan at Alconbury described elsewhere in this Annual Report, more than two-thirds of all secured Group facilities will be long-dated with interest accrued to the Homes and Communities Agency, repayable only out of realised proceeds.

Governance is important to us and we have sought to ensure that the Board structure of your Company is compliant with FRC recommendations. Robert Adair, who founded Terrace Hill originally, stood down as Deputy Chairman shortly before the second anniversary of our stock market listing. Our grateful thanks go to him. I became Chairman and Duncan Hunter took my place as Senior Independent Director. Ian Barlow has come in as Chair of the Audit Committee and brings with him a wealth of corporate and financial experience. His capable presence is being felt already and your Board is benefiting from his counsel.

Jon Austen, who helped steer the Group into the public markets, has been succeeded by David Wood as Finance Director. Starting as Finance Director of Terrace Hill, Jon played an important role in facilitating the reverse into Urban&Civic. We wish him well. David first joined Chelsfield plc to work with Nigel Hugill two decades ago and was part of the initial start-up team at Urban&Civic. I was also delighted to see that the contribution of our Chief Executive, Nigel Hugill, to the wider industry was recognised by Estates Gazette with this year's Outstanding Contribution to Property Award.

There is much uncertainty and conditions are unlikely to become easier in the near term. Notwithstanding, the demand for housing in the UK remains vast and the assets we hold are increasingly valuable. The tasks are clear and the emphasis on delivery will be maintained. Our core positioning and post-balance sheet transactions afford realistic confidence that progress will continue in the coming year. I can assure fellow shareholders that we are working with drive and enthusiasm to that end.

Alan Dickinson
Non-Executive Chairman
1 December 2016

p76 Governance
pages 76 to 115

p86 Board of Directors
page 86

Market defining

NIGEL HUGILL
Chief Executive

KEY OBSERVATIONS

- Urban&Civic established as market leader in large site delivery
- Major housebuilder concentration on absolute retail strengths of construction and delivery provides a clear space for Urban&Civic.
- Capital lite serviced plots and planning expert Catesby established as integral components of the residential supply chain.
- Advantages of Master Developer new recognised on all sides.
- 73 per cent of current gross assets invested in consented plots. Peak capital requirement passed at Alconbury and approaching at Rugby.
- Guaranteed contracted minimum payments of £10 million per annum over an average of next five years, with actual receipts likely to exceed 2x September 2016 plot figures will enable further cash deployment.

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 to, 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.

1

2

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.

1 Board visit – Alconbury Weald.

2 Supermarket – Herne Bay.

3 Showhome visitors – Alconbury Weald.

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.

1 Mark Pawsey, MP for Rugby inspecting progress – RadioStation Rugby.
2 Topping out of hotel – Stansted.
3 Serviced land parcel – Alconbury Weald.

Strategic land: the beginning of a new asset class? continued

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.

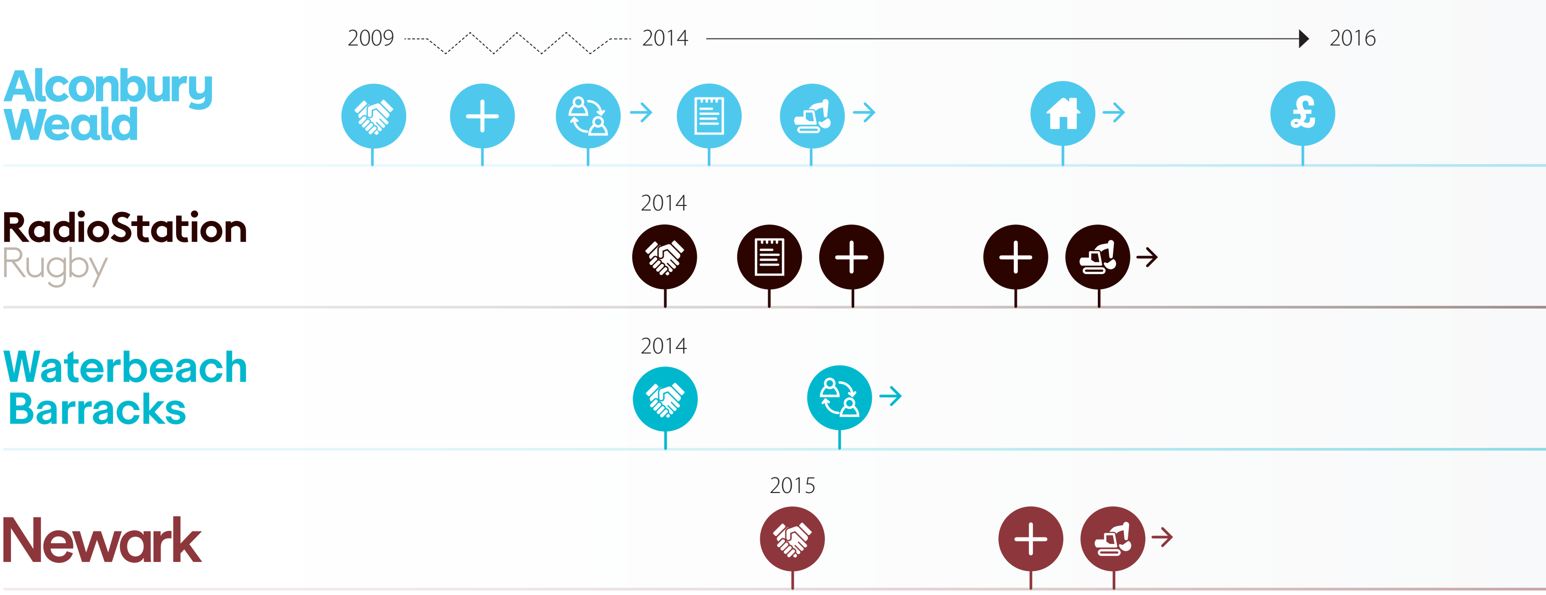
These are large figures for regional assets but the scope is for continued increases. Our valuers had regard for the capacity of the asset to be sold to different purchasers in smaller parcels; now a clear line of sight can be demonstrated on that process. Our policy is that the valuation of new strategic 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.

Strategic site delivery:



2

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

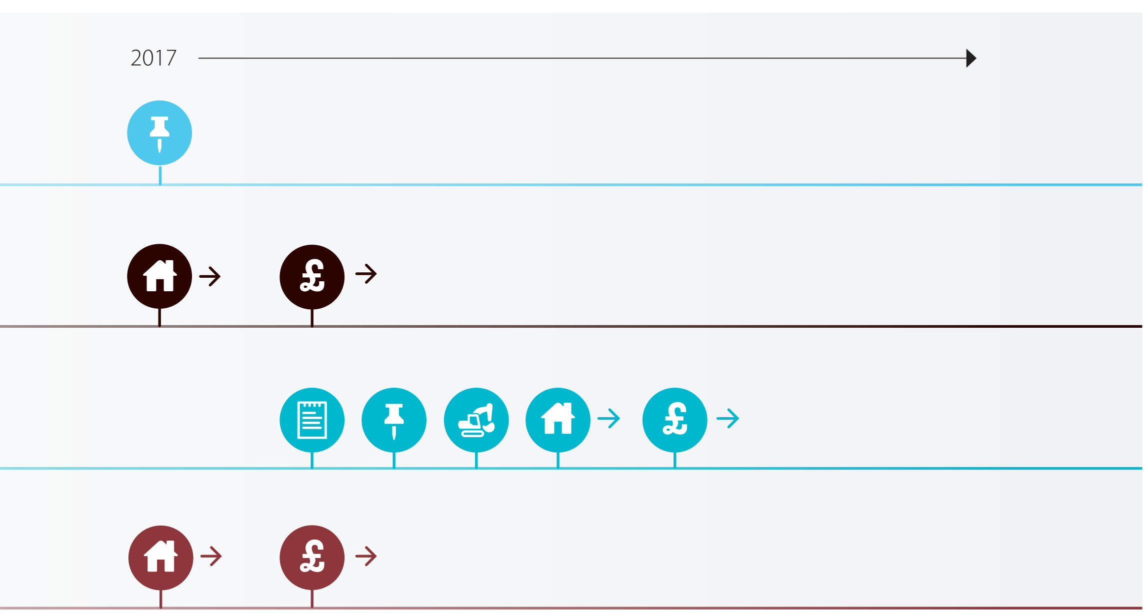
Urban&Civic exists to grow the net asset value of our portfolio, thereby generating above average shareholder returns. We remain squarely a business that is defined by the quality of our projects and the care that we invest. The consequential placemaking achieved by your Company is becoming recognised 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.

3



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

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View our operational review
pages 36 to 63

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 "Civic Living" 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.

—
1 Community consultation – Waterbeach Barracks.
2 Opening of Premier Inn – Feethams.
3 Gavin Berwell MP, Minister for Planning and London, visiting Alconbury Weald.

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
1 December 2016

"

Seeing first hand the investment in landscape infrastructure and placemaking which the developers of Alconbury Weald are making shows very clearly the difference it can make when building a new community.

GAVIN BARWELL
Minister of State for Housing and Planning and Minister for London

Q&A

In discussion with our Chief Executive and Group Finance Director

Q The property sector in the UK is facing another period of uncertainty following Brexit; what is your short to medium-term outlook and has Brexit had any particular effect on Urban&Civic's operations or approach?

A NH: We are placing an increasing amount of chips on strategic land delivery, an area in which Urban&Civic has become a recognised market leader. The Group had 73 per cent of the September 2016 EPRA balance sheet value in consented plots and shareholders can expect that figure to move higher again over coming years. The recent market updates remain positive for conditions outside London and our last two licence sales were to listed housebuilders, one of which completed the day before the June vote, the other afterwards. An ultimate impact of Brexit may be to slow population growth in South East England but it is clear enough that process will not be quick and, at an estimated current 1.0 per cent annual increase, we are coming off an exceptionally high base. Houses have to be built somewhere and few can match our large project expertise. My prediction is that we will see some large land purchases in 2017. The bulk buyers are unlikely to be the listed housebuilders.

DAVID WOOD
Group Finance Director

NIGEL HUGILL
Chief Executive

DW: It feels more like 2001 than 2007; with reduced but revising post-Brexit economic forecasts, historically low interest rates and a refreshed political approach to housing, it is difficult to make a case for a regional housing market correction.

The best historic proxy for UK house prices, outside prime Central London, is net disposable income. Ultimately that rests on job prospects and interest rates. Alconbury, Rugby and Newark are all areas in which the vote was to leave. Our development at Waterbeach will form part of a new Cambridge northern fringe that boasts some of the most innovative companies on the planet. Home buyers in those areas got the result they wanted or remain pretty well insulated. We are far from cavalier but it seems increasingly clear that any adverse impact of Brexit is unlikely to be quick.

Q **Will the recently announced £5 billion of Government funding "get Britain building"?**

A **NH:** The November 2016 Autumn Statement saw the Chancellor repeat a Government frustration with the lack of progress in delivering on its self-imposed target of one million homes in the current parliament (see chart below). The number of houses being built by private housebuilders is only moving back to long-term trend, despite an increasing number of applications being granted. The recently televised observation from DCLG Minister Rt Hon Sajid Javid that "People can't live in a planning permission" is my personal favourite.

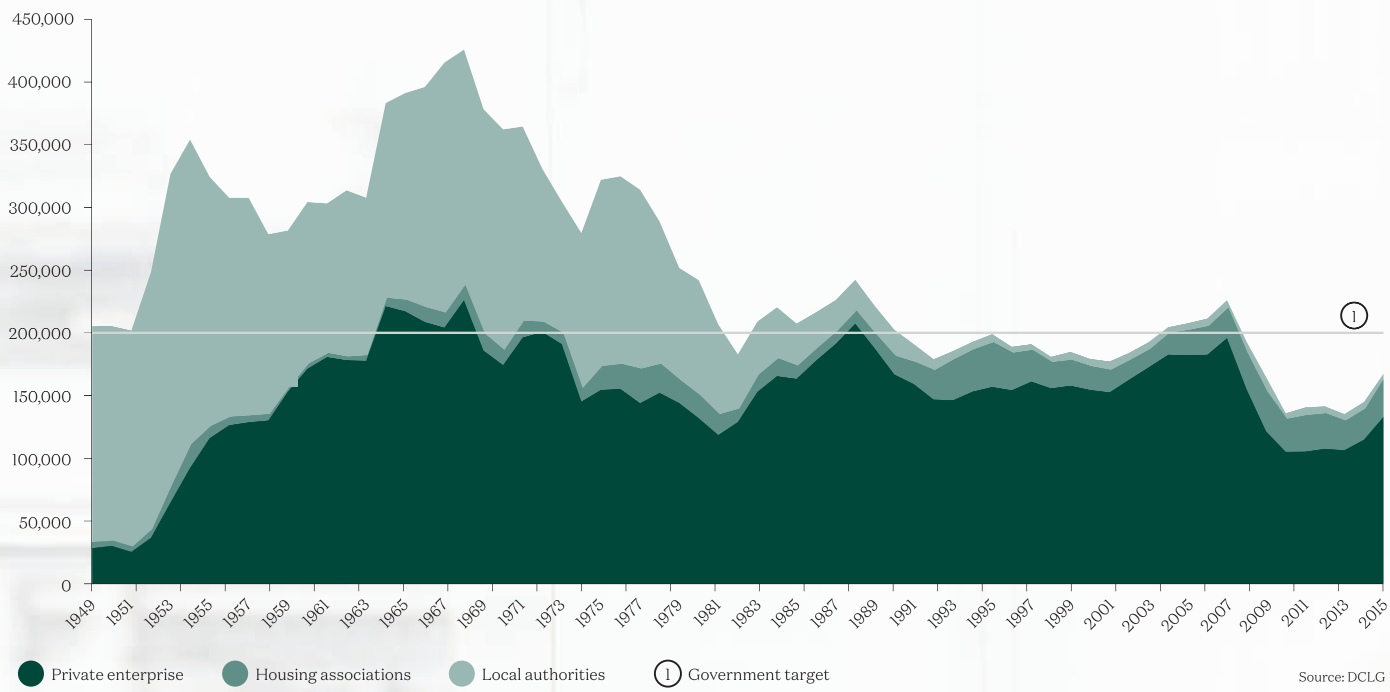
It does seem that we have a Government that is prepared to deploy new financial levers. We are here to help.

DW: Part of this effort takes the form of the £3 billion Home Builders Fund, which seeks to assist more SMEs building, encourage custom-builders, and allow developers to build the infrastructure needed to support new housing. Urban&Civic has benefited already from over £90 million of what is effectively mezzanine funding from the Homes and Communities Agency, which will certainly help accelerate delivery on our strategic sites.

NH: Large brownfield projects are not the whole answer but they are likely to make a bigger contribution to housing numbers than most other initiatives announced to date. The Government has earmarked an additional £2 billion of Accelerated Construction Funding that will see borrowing support for new homes on public sector brownfield land through delivery of outline planning permissions and initial remediation and enabling works. Properly marshalled, this ought to help lift numbers.

The peak capital requirement is much lower for us than on the big London schemes because we are able to balance the profile of project spend. The current day build out value of existing Urban&Civic schemes exceeds £7 billion but we can handle more whilst maintaining a conservative balance sheet on account of the investment profile. HCA funding is an undoubtedly assistant component.

Housebuilding permanent dwellings completed

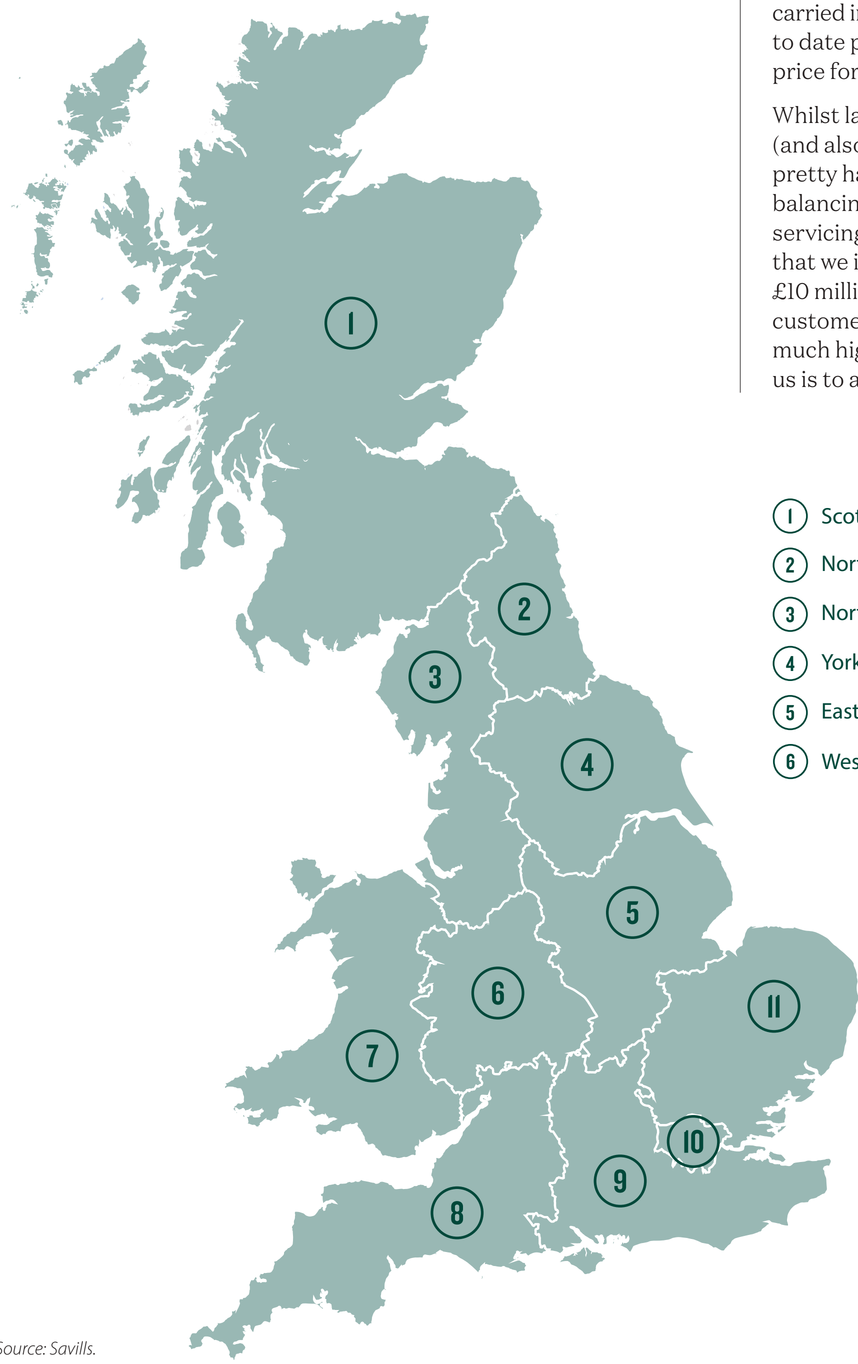


Source: DCLG

> “It does seem that we have a Government that is prepared to deploy new financial levers. We are here to help.

NIGEL HUGILL
Chief Executive

Mainstream house price forecasts – 5 years 2017–2021



Source: Savills.

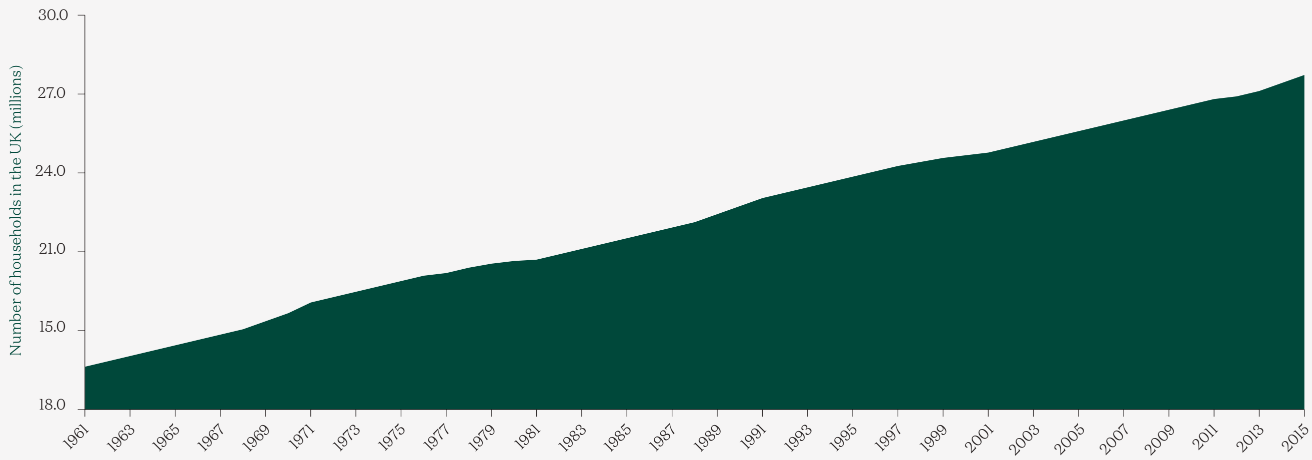
Q Does the Urban&Civic business model, as set out in the 2014 Listing and placing prospectus, remain operationally valid?

A NH: Unequivocally yes. Building cost inflation and increased housebuilder margins have impacted negatively upon balance sheet valuations such that the leverage between land prices and house prices has certainly been less pronounced. Notwithstanding, the valuation increases for plots at Alconbury and Rugby since 2014 Listing are 80 and 41 per cent respectively. In my estimation, Waterbeach is the best brownfield site outside of London. We will be submitting a planning consent for 6,500 houses in the next two months. The development agreement with the Defence Infrastructure Organisation is carried in our accounts at £5.5 million being the costs incurred to date plus capitalised overheads. The most recent house price forecasts from Savills support our regional positioning.

Whilst land price leverage is less than we had expected (and also hit the legacy Terrace Hill holdings in Scotland pretty hard), Catesby and HCA funding are important balancing positives. In addition, the premium attached to servicing land has increased. The annual minimum payments that we include in our licences provide a base amounting to £10 million per year from Q1 2017, if our housebuilding customers were not to sell a single new home. This is much higher than we had budgeted. The priority for us is to acquire more strategic sites.

1. Scotland 9%
2. North East 9%
3. North West 12%
4. Yorkshire and Humber 10%
5. East Midlands 14%
6. West Midlands 13%
7. Wales 10%
8. South West 14%
9. South East 17%
10. London 11%
11. East 19%

Number of households in the UK



Source: Office of National Statistics

Q **What lies behind the encouraging forecasts?**

A **DW:** Key drivers of sentiment and investment within the real estate sector are the UK's GDP, employment levels and household formations.

NH: Stamp duty on average house sales in Huntingdonshire and Warwickshire are lower than they were five years ago and Help to Buy is available against nearly all house types being delivered.

DW: The increase in the number of household formations seems to show no signs of abating either, which consolidates the point that Nigel made regarding population growth.

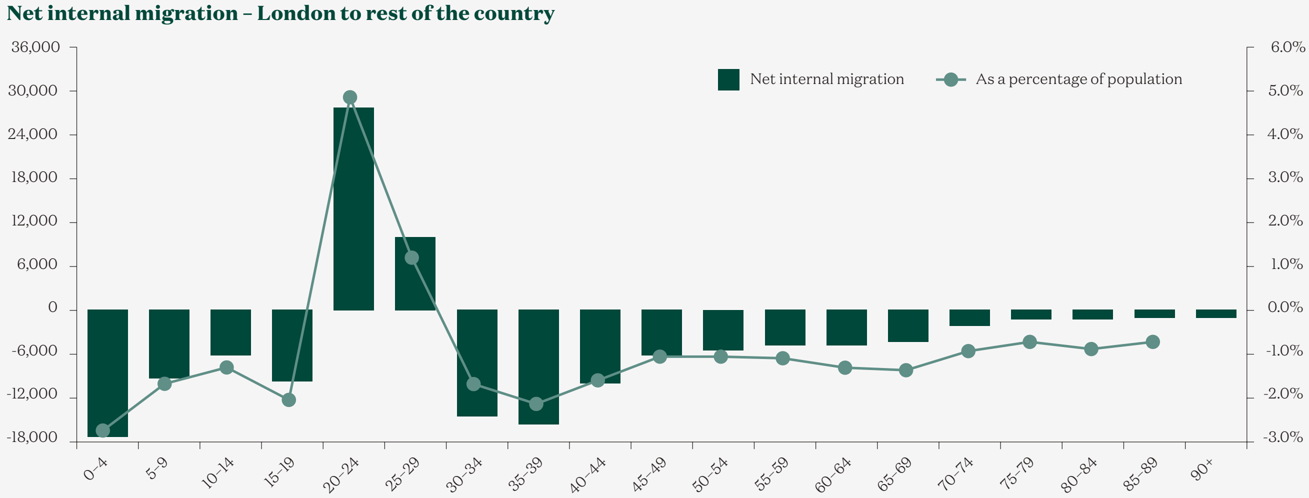
NH: 25 million people live in or within 100 miles of London, including 8.5 million in the centre where the price of housing and schooling is causing families to migrate out. The Office for National Statistics reports that 283,000 people left London last year. The vast majority stay within commuting distance.

Q **How will planning play its part in future performance?**

A **NH:** The last full three-year Glenigan data (2012–2015) records that local authorities granted permission for 712,000 units in England. Contrast that with what, according to DCLG, has been a cumulative 404,000 starts. The comparison is somewhat simplistic but does begin to explain the Minister's frustration. It is hard to see the quoted housebuilders rushing to increase the extent of their land banks any time soon and suggests that interventions may have more impact than further planning regime changes.

DW: Our Catesby land promotion business has certainly seen a great deal of success over the last year, achieving planning consents for over 1,000 homes; however, it is becoming clear that as local authorities are completing their Local Plan reviews and identifying their five-year housing supplies, the pressure to grant consents may lessen. Capital-lite serviced plots are likely to remain commensurately attractive.

Net internal migration – London to rest of the country



Source: Savills, internal migration and UK housing

Solid growth and maintained demand

DAVID WOOD
Group Finance Director

KEY OBSERVATIONS

- EPRA NAV per share up 5.1 per cent to 284.2p per share, or 23.0 per cent since May 2014 Listing
- Pre-tax profits up, approaching 4x to £25.9 million
- Most of FY 2016 increase in both EPRA NAV and operating earnings arose in the second half – spanning June 2016 referendum vote
- 73 per cent of September 2016 Group balance sheet in consented residential plots
- Large site discount at Alconbury and Rugby pro-rata now estimated to be around £91 million, or 60p per share, on the basis of CBRE valuation assumptions (March 2016: £80 million or 55p per share)
- Increased dividend to 1.8p per share, contributing to 10 per cent increase year on year reflecting tangible progress made

Having joined Urban&Civic soon after the acquisition of Alconbury Airfield in November 2009, I am delighted to write my first financial review in a year that saw our first house sale at Alconbury, contractual arrangements put in place with housebuilders in respect of 981 serviced land plots, unconditional trading sales of over £78 million and continued strong planning performance at Catesby.

So far as we can tell, reservations and completions were entirely unaffected by the Brexit vote in Huntingdonshire, where Alconbury is located and which voted conclusively to leave the European Union. This behaviour suggests that, in low unemployment areas, affordability and quality remain the dominant drivers to housing demand.

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. Urban&Civic's TSR performance graph and table can be found in the Directors' remuneration report on page 109.

Group revenue

£95.2m

+71.5% from prior year

Profit on trading property disposals

£18.9m

(2015: £3.2 million)

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 22 to the financial statements and valuations are considered in more detail on page 150.

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 comprises £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 a previously recognised EPRA adjustment of £7,000, would produce an unserviced plot value of c.£71,000 per private plot, well above CBRE's appraised blended plot value of £24,500.

Valuations in the year up

3.2%

Profit before tax up

£18.9m

+270% from prior year

Consolidated statement of comprehensive income continued

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 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 the financial statements 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 in financial statements 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 in financial statements 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 13, 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 11 and 13.

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.

Proposed dividend per share

1.8p

+9.1 per cent on 2015

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

EPRA NAV per share

284.2p

(£409.8 million) up 13.8p in the year or 5.1 per cent

Property interests valued at

£407.6m

Consolidated balance sheet continued

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 the financial statements.

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.

> “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.
>
> DAVID WOOD
> **Group Finance Director**

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
1 December 2016

A top down, bottom up approach to risk management

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.

Risk governance → **Risk identification and assessment** → **Risk response and risk reporting**

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
ultimate responsibility for risk management and regular review of key risks

↑

Audit Committee
reviews and monitors risk management framework and processes

↑

Management Team
maintains risk register, designs and manages risk management framework, including internal controls and mitigation of risks

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.

The work undertaken by the Audit Committee in relation to risk is set out in the Audit Committee report on pages 88 to 91.

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, which is referenced against the traffic light system set out on page 33.

The risk appetite and mitigated risk score are visually presented in a risk heat map (see opposite). 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.

Traffic light key

Traffic light	Impact	Likelihood	Risk rating after mitigation
	Insignificant or slight	Slight	Low
	Moderate	Possible	Medium
	Significant or major	Likely or very likely	High

Risk heat map key

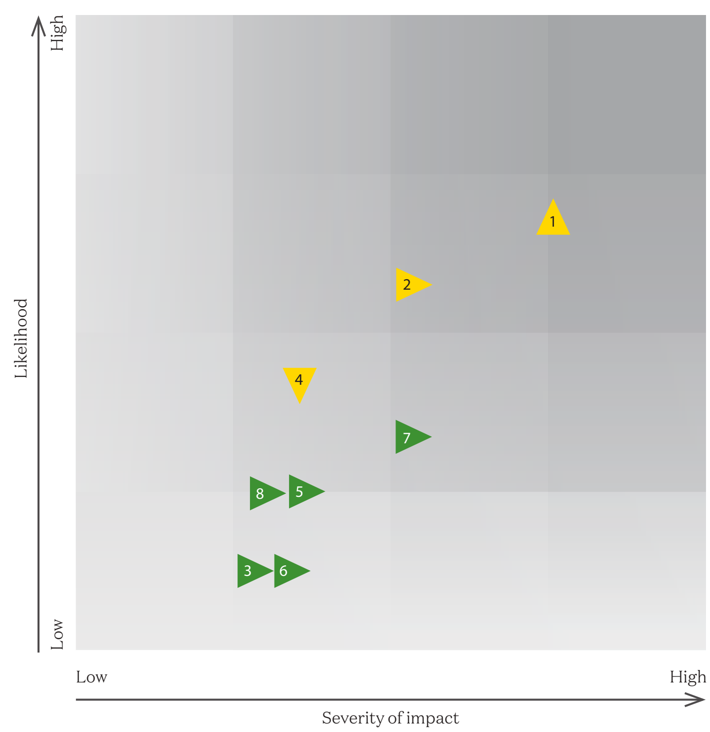
△ Increase in risk rating

▷ No change in risk rating

▽ Fall in risk rating

Number references correspond to the key risks set out on pages 34 to 35.

Risk heat map



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 on the following pages.

p4 Strategic priorities pages 4 to 5

Key risk	Impact of risk	Controls and mitigation/action	Risk rating after mitigation	Movement since 30 September 2015	Strategic priority reference
R1. 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).	●	▲	SP1 SP2 SP3 SP5
R2. 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.	●	►	SP1 SP3 SP4 SP5
R3. 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.	●	►	SP1
R4. 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.	●	▼	SP1 SP3 SP5

p4 Strategic priorities
pages 4 to 5

Key risk	Impact of risk	Controls and mitigation/action	Risk rating after mitigation	Movement since 30 September 2015	Strategic priority reference
R5. 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 ensure compliance.	●	▶	SP1 SP2 SP3
R6. 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.	●	▶	SP2 SP3 SP4
R7. 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 co-ordinator (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.	●	▶	SP2 SP3
R8. 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.	●	▶	SP1 SP2 SP3 SP4 SP5

Long-term viability statement

In accordance with provision C.2.2 of the UK Corporate Code 2016, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, having made reasonable assumptions about its future trading performance and the potential impact of its principal risks. A review of the Group's current position and future development plans is discussed in this strategic report, the financial position of the Group is set out on pages 122 to 163 and the principal risks the Group is exposed to and the action taken in mitigation are set out above.

The Directors' assessment was made in respect of a five-year period, longer than required by the going concern provisions referenced in the Directors' report, and the Board has taken the view that this duration is appropriate as it reviews, on an annual basis, the Group's rolling five-year business plan, which takes into account the Group's strategy, financial position (including loan maturities and refinancing assumptions) and associated principal risks.

The Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities, as they fall due, for the next five years.

OPERATIONAL REVIEW

MASTER DEVELOPER: FIRST AND FOREMOST

“

The advantages brought by a Master Developer to large sites are now recognised on all sides. The key driver is better and faster placemaking. Our housebuilding customers have reacted enthusiastically and the Homes and Communities Agency is advancing additional funding to further accelerate delivery. Building on our own account adds to the mix and enhances margin capture for our shareholders. The realisation and recycling of capital through swifter trading and land promotion provide an efficient way to support our core programme of large site development. We have an exceptionally strong team and take pride in driving returns whilst still doing things in the right way.

ROBIN BUTLER
Managing Director

Alconbury Weald
Make|Grow

Hopkins Homes
128 units

Morris
165 units

Redrow
200 units

U&C
137 units

1

Ermine Street Church Academy
Member of Diocese of Ely Multi Academy Trust

Ermine Street Church Academy
x2 Form Entry (extendable to x3 Form Entry) Primary School

2

Incubator 2
Urban&Civic

3

Incubator and Club Buildings
Urban&Civic

4

John Adams Toys
Serviced Parcel

5

MMUK
270,000 sq.ft.

6

IKO
Serviced Parcel

www.alconbury-weald.co.uk

hectares	acres	interest in site
577	1,425	100%

Progress

Land:

- 15 per cent increase in land value of 1,425 acres from 2015 to £201.2 million.
- Additional c.49 acres of adjacent unconsented land acquired in October 2016 for £900,000.

Residential:

- 630 committed plots across 50 developable acres.
- Average achieved sales values of £292 per sq.ft.
- Hopkins Homes actively delivering with 37 reserved and three sold by the end of October.
- Morris Homes on site having obtained detailed planning consent for 165 homes.
- Redrow expected on site in early 2017 following submission of detailed planning application for 200 homes.
- First primary school – Ermine Street Church Academy – opened in September 2016.

Employment:

- c.1 million sq.ft. of employment space contracted/under construction on the Enterprise Zone.
- MMUK's 270,000 sq.ft. bespoke facility under construction and set to be one of the largest fresh produce facilities in the UK.
- Works commenced on the £10.5 million iMET Skills Centre.
- Consent granted for IKO PLC's £30 million first UK manufacturing facility.
- Consent granted for the 122,000 sq.ft. headquarters of toy manufacturer John Adams Leisure Ltd.
- Consent granted for Urban&Civic's first Mid-Tech building.
- The Club fully operational, with a gym, café, meeting and event space for use of local businesses and residents.

Future milestones

- Finalise documentation with the Homes and Communities Agency for £45 million loan facility to accelerate additional infrastructure.
- Urban&Civic to submit detailed planning for direct delivery of mixed-use parcel including 137 residential units.
- Delivery of additional placemaking including:
  - the first Community Park incorporating a shop, allotments, multi-use games area, a skatepark and open space; and
  - refurbishment of the Listed Watch Tower as a headquarters for environmental charity Groundwork Cambridge and Peterborough, adjacent to which there will be the cricket pitch and pavilions.
- Planning applications to be submitted for the next phase, including the Southern Gateway onto the A141 and the secondary school.


2
3
4
5
6
U&C
MORRIS
HOPKINS
HOMES


REDROW
1

It's all coming together

2016 has been a year of transformational change, which has seen the first pupils at our primary school and our first residents moving in, alongside over 1 million sq.ft. of commercial space taking shape in the Enterprise Zone.

Homes

Emboldened by the momentum, strength of infrastructure and setting established at Alconbury Weald, Hopkins Homes' early sales launch in April saw queues of potential buyers – with an unprecedented 14 reservations secured on the first weekend. Further releases and the show home opening in September have ensured a robust take-up, with 37 reservations and three completions by the end of October.

p67 Read more in our CSR sustainability section pages 67 and 68

Urban&Civic has continued to work with housebuilders to deliver landscaping, infrastructure and facilities for their parcels. Morris Homes has now started on the delivery of its 165 homes, and Redrow has submitted its detailed planning application for 200 homes.

With approaching 500 homes under contract, across 44 developable acres, the Urban&Civic project team has worked alongside our housebuilders to co-ordinate infrastructure, assist with design and planning, support marketing and sales and overall ensure the coherent delivery and presentation of Alconbury alongside the range of products coming forward.

Business

Part of the strength of the new community is its diversity and delivery is taking place across all parts of the site, including the government-backed Enterprise Zone. In 2016, the companies committing to Alconbury Weald have included:

- MMUK who will bring together the teams of its global business in a modern, purpose-built facility opening in spring 2017 which, at 270,000 sq.ft., will be one of the largest fresh produce facilities in the UK.
- IKO PLC, which is part of a family-run global company headquartered in Canada, will be investing £30 million in the construction of its first manufacturing centre in the UK for waterproofing, roofing and insulation products to open at the end of 2017.
- John Adams Leisure Ltd, the Huntingdonshire-based toy and games distributor, who will be constructing a new headquarters building.

The take-up of nearly a million sq.ft. of commercial space – a third of the Enterprise Zone – is at the higher end of the realistic expectations of the team, increasing confidence to progress buildings that enhance the office and research and development elements of the developing business community. Planning permission has been granted for the first building of the Mid-Tech Cluster and discussions are being held with a number of companies interested in flexible office, research and development and production space under one roof. In response to market demand, plans are also being developed for a second Incubator-type building for small office space.

Skills and schools

A key part of the development is the £10.5 million iMET Skills Centre – a new business-led training facility opening in Q3 2017 that will deliver innovative courses in advanced technical skills in manufacturing, engineering and technology to support the growth ambitions of companies at Alconbury and in the local area. iMET will work with Urban&Civic's jobs and skills brokerage EDGE to upskill local people to benefit from the jobs created by the campus' growth.

p66 Read more in our CSR job creation and economic growth section pages 66 and 67

> Urban&Civic is creating something special and this is not your typical consortium site by a long way. We are delighted to be involved and believe this scheme can really raise the bar for large-scale new communities. Urban&Civic is prepared to invest in infrastructure and is committed to enforce design codes that certainly fit our product.
>
> JAMES HOPKINS
> **Executive Chairman, Hopkins Homes**

2

Education and opportunity remain at the heart of our vision, and the first primary school opened in September 2016. The stunning building, designed by award-winning Allford Hall Monaghan Morris, was delivered in partnership with the County Council. Sponsored by the Diocese of Ely Multi-Academy Trust (DEMAT) working with the Methodist Academies and Schools Trust (MAST), Ermine Street Church Academy flanks the entrance to the new community and, with Urban&Civic's presence at every stage of its delivery, expresses the design and community aspirations of Alconbury Weald. Already hosting the development's first Brownies group and table tennis club, the school will soon be joined by a Community Park, which will include a shop, allotments, multi-use games area, skatepark and open space including picnic tables.

p77 See quote from
Adrian Shepherd – Headmaster
Ermine Street Church Academy
page 77

A benchmark of quality

The level of investment in setting and community at Alconbury Weald have been recognised locally and nationally. Recently quoted as an exemplar for placemaking investment by Savills, in their report on how placemaking drives value creation, Alconbury Weald also hosted the Government's inaugural Garden Communities conference.

From ministers to potential house buyers, the team knows the importance of that quality feel from first impression through to long-term management. This commitment has always included a focus on landscape and with over 2,000 trees planted around the first homes, primary school and play areas, including three mature deciduous lime trees – each weighing around eight tonnes – we are proud to say that Alconbury is taking root in its community.

p73 Read more in our
CSR communities project section
pages 73 to 75

3

4

1 Site wide marketing material.
2 Morris infrastructured plot stands ready as Hopkins Homes start to be occupied.
3 Savills Spotlight Report on the value of placemaking featuring Alconbury Weald.
4 MMUK's building under construction.

RadioStation
Rugby

DAVIDSONS HOMES

250 units

MORRIS

180 units

Crest NICHOLSON

186 units

U&C

c.100 units

1

ST. GABRIEL'S CofE ACADEMY HOULTON

St Gabriel's CofE Academy
x1 Form Entry (extendable to x3 Form Entry) Primary School

2

Dollman Farm Visitor Centre

3

Tuning Fork Café

4

C-Station Building

5

Link Road to Rugby town centre and station

www.houltonrugby.co.uk

hectares	acres	joint venture with Aviva Investors
475	**1,170**	**50/50**

Progress

Land:

- 15 per cent increase in land value of 1,170 acres from 2015 to £87 million.
- Options over 87 acres of land exercised.

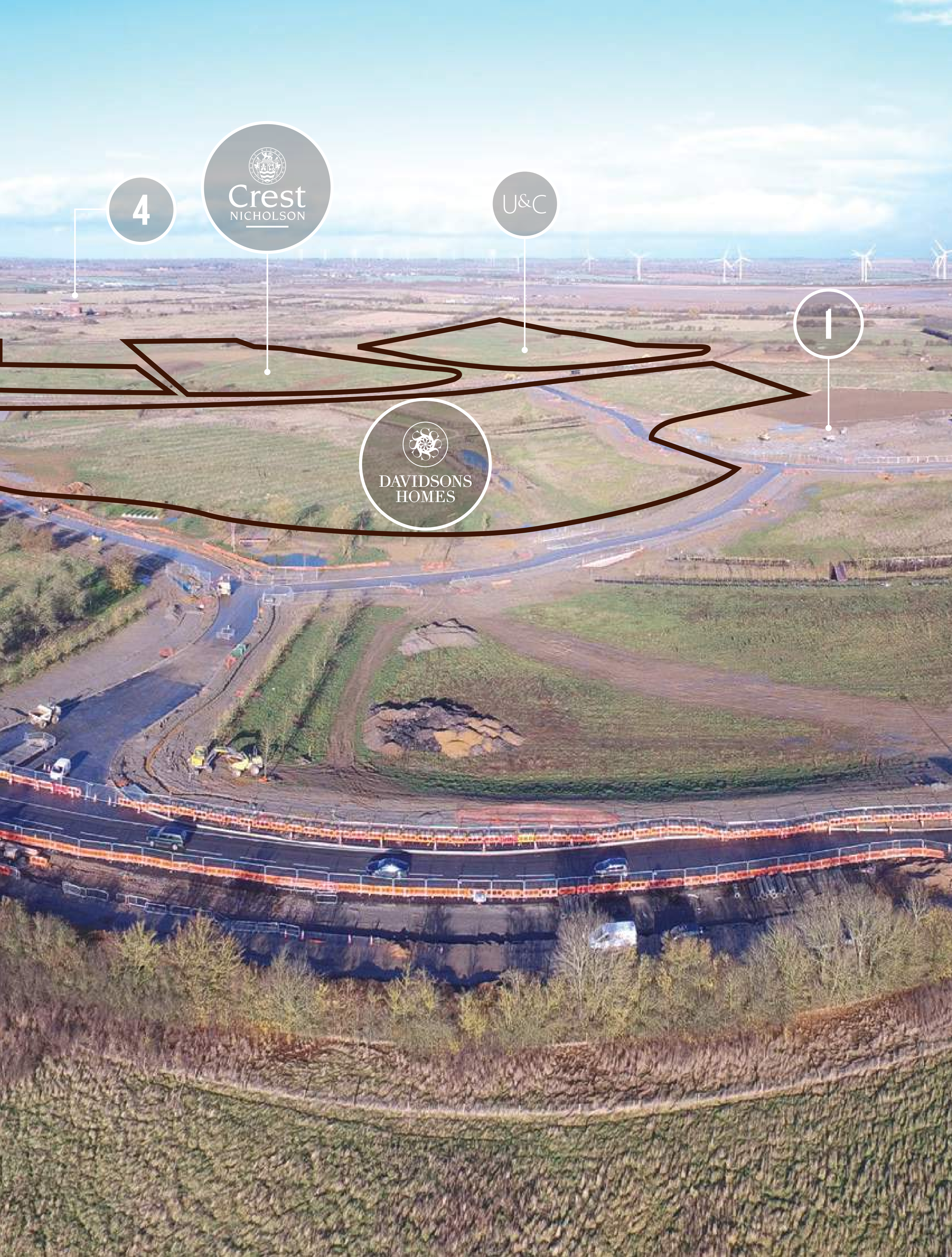
Residential:

- 716 contracted plots across 45 developable acres with Davidsons Homes, Morris Homes and Crest Nicholson.
- Key Phase 1 development platform completed with infrastructure delivered. Off site highway works complete.
- Construction of first homes underway by Davidsons Homes for sales spring 2017.
- First primary school (St. Gabriel's) designed, consented and under construction for opening in September 2017.
- Wider development platform construction underway in preparation for Morris Homes and Crest Nicholson commencing in early 2017.
- £35.5 million of Homes and Communities Agency funding approved and being drawn down for full delivery of link road connecting Houlton with Rugby station and town.
- Completion of Dollman Farm community hub – site-wide visitor centre, café and community venue.
- Branding of site as Houlton fully established via website, sponsorship and local information campaign.

Future milestones

- Extension of green and grey infrastructure delivery for additional housing plots.
- Acceleration of housing absorption with the commencement of housebuilding by Morris Homes, Crest Nicholson and direct delivery by Urban&Civic.
- Opening of first primary school coinciding with arrival of first residents to Houlton.
- Delivery of a substantive section of the link road during 2017, unlocking additional points of sale to the west of the site for further housing from 2018.
- Advancement of masterplan and delivery for commercial floor space subject to market demand.


5
MORRIS
3
2


4
Crest
NICHOLSON
U&C
1
DAVIDSONS
HOMES

Creating momentum and crafting quality

With three housebuilders contracted, including one on site, there is a clear sense of momentum and anticipation in the air at Houlton, our 50/50 joint venture with Aviva Investors.

A sense of arrival
Significant construction is apparent as you approach the two new entrances into the site, with realignment works to the main road, a new junction and new roundabout all substantially complete.

The ponds, plant life and wildflowers, which were part of our early habitat creation, now rival the most mature of landscapes. In addition, 700 or so new trees planted in 2016, including mature willows and oaks, mark the gateway into Houlton at Dollman Common.

Davidsons Homes is on site for its first 105 homes taking shape immediately behind Dollman Common, encased by hoardings bearing the now distinctive and well recognised Come Home to Houlton campaign. Davidsons has met our quality standards with its house designs and it is anticipated that its show home will be visitor ready in the spring with active marketing commencing in the new year.

Education at the forefront of delivery
To the right of Dollman Common, the first primary school is already under construction by local contractor Stepnell. As for all the schools to be brought forward on our sites, St. Gabriel's Cof E Academy benefits from a striking design, a real focus on build quality as well as a generous setting to help nurture a sense of community. St. Gabriel's will be operated by the Diocese of Coventry with Urban&Civic contributing directly on governance, strategy and business planning as a member of the Academy Trust. Our team has already been involved in recruiting the Academy's new Headteacher this September and are currently marketing the school ready for its first intake in September 2017.

Looking after our customers
To the other side of Dollman Common, visitors can see Dollman Farm – a courtyard hub with a visitor centre, café and community space.

"The quantum, pace and quality of infrastructure delivery, led by Urban&Civic at RadioStation Rugby, is impressive and it's clear that the £35.5 million of HCA funding will further accelerate the delivery of housing on this priority site.

COLIN MOLTON
Interim Chief Operating Officer of the HCA

Transformed completely during 2016 from a solitary, run down but characterful farmhouse, Dollman Farm is a prominent illustration of our investment in early placemaking. This collection of new and old buildings now provides a place for everything from community meetings to a catch up coffee and from yoga to a viewing platform. Within Dollman Farm, our visitor centre offers a site-wide vision for Houlton to complement the marketing experience offered by housebuilders whilst The Tuning Fork, a collaboration with a local catering company, will provide a new destination for food and drink.

1

p66
Read more in our CSR job creation and economic growth section **pages 66 and 67**

2

As the front of house opens its doors with Dollman Common, Davidsons, St. Gabriel's Academy and Dollman Farm, there remains plenty of infrastructure delivery activity underway behind the scenes in preparation for Morris Homes' arrival in early 2017. Learning from our experience from Phase 1 and building on the relationship of trust and quality we have established with Natural England, green and grey infrastructure permissions in parallel with licences from Natural England were gained earlier in the year enabling the swift delivery of newt migration and ecology works. We are now progressing archaeology works and extending primary roads and utility installation through to the Morris site as well as the proposed local centre and the parcels which we have contracted to our third housebuilder, Crest Nicholson.

Proud of our history

The heritage of the site remains a key part of its future. The name Houlton was chosen because it was the town in Maine, USA, that Rugby used to transmit to. We have even been out to Maine to re-establish links between the two communities.

p66
Read more in our CSR stakeholder engagement section
page 66

All primary road names carry historical significance and we are working with all three housebuilders to continue this theme through secondary roads and their own marketing. Houlton Way will be the first section of the link road – being accelerated with a £35.5 million HCA loan secured earlier this year. Reserved matters planning permission for the substantive section of the link road, which will extend from Houlton Way west towards Rugby station and town centre, is imminent with construction beginning in spring 2017 and completing some 18 months thereafter.

The transformation from RadioStation Rugby to the new community of Houlton has made huge progress this year. The early contribution of the link road into the town will open up further fronts of this 1,170 acre site for development and accelerate delivery further. Houlton is now referred to as a new place with a strong sense of identity and heritage. There is a growing sense of community and we look forward to welcoming many new friends and families in 2017.

3

1 The Davidsons team on site led by U&C project manager – Lee Barrett.
2 The Dollman Farm complex of buildings.
3 Site wide marketing material.

Waterbeach Barracks

CGI of Waterbeach Barracks Development

1

Early Development around existing lake

2

Waterbeach Village

3

Waterbeach Station

4

A10

5

Cambridge Science Park

6

Cambridge Town Centre

www.waterbeachbarracks.co.uk

hectares

290

acres

716

Development management agreement with MOD; Urban&Civic to earn percentage retention on realised land uplifts after full cost recovery and right to draw down land.

Progress

Land:

- Strong relationship with the landowner – Defence Infrastructure Organisation (DIO).
- Ongoing and active review of commercial and community opportunities for temporary use of barracks buildings.
- Clear strategy for early delivery of residential units following grant of outline planning consent, including the potential for PRS.

Planning:

- 12 community and stakeholder workshops held to develop more detailed proposals across the vision, principles and technical themes for the new development.
- Cambridgeshire Quality Panel carried out a full-day study in July 2016 of the emerging masterplan, providing positive feedback.
- The outline planning application material, including studies, assessments, reports and plans has been significantly progressed.
- A three-day interactive consultation event was held in September 2016 on the emerging outline planning application, which was well received.
- Pre-application meetings are ongoing with South Cambridgeshire District Council as well as other key stakeholders.
- Planning application submitted jointly with the Parish Council to extend the village cemetery in response to local need.

Community:

- An estimated 11,000 people made use of the previously redundant facilities on the site over the year from regular sports groups to events such as a charity 10k run.
- 514 Squadron Reunion took place for the second year on the site, with veterans returning supported by 120 family members.
- For three weekends in July 2016, the entrance area of the Barracks became an art exhibition, as part of the Cambridge Open Studios season, with six local artists exhibiting their work and over 500 visitors.

Future milestones

- Outline planning application to be submitted Q1 2017.
- Participation in Local Plan examination of strategic site allocations, including Waterbeach, during mid 2017 with adoption of the plan unlikely before early 2018.
- Preparation of detailed applications for infrastructure and early residential to be submitted immediately following receipt of the outline consent.
- Urban&Civic to draw down consented land for residential delivery including PRS.
- Re-use of existing buildings for commercial and community activities.
- Potential early delivery of a Park and Ride facility to support existing local traffic and parking pressures.


3
2


6
5
4
1

Listening and preparing for planning

2016 has been the year of listening at Waterbeach, with extensive consultation and discussion with partners and local communities, together with surveying and testing of the site to develop our forensic knowledge of this uniquely breathtaking brownfield site.

Engaging and planning

From the 12 design workshops held between January and March, attended by over 150 people, as well as the shared masterplanning sessions with local stakeholders, the team has worked hard to refine the vision, principles and frameworks for this extraordinary brownfield site just north of Cambridge.

The work to date, which underpins the outline planning application under preparation, has faced two key interrogations this year: technically from the Cambridgeshire Quality Panel Review in July, and then in September through the large-scale, three-day public consultation events.

The Panel Review session welcomed the core principles and approach, provoking useful discussions and challenges on the role of town centres and hubs in 21st century communities and the priorities to achieve sustainable places. We are incorporating this feedback into the outline application.

The ongoing consultation work culminated with a three-day event set up on the principles of Explore, Understand, Shape and Enjoy attended by over 500 people. We hosted a range of activities to ensure everyone got a sense of the current strengths and our future vision for the site as well as enabling them to have their say. As part of the event there was:

- a tour app, with free bikes available and a bus that gave people the chance to explore the 700 acre site;
- 250m of displays in the military sports hall, which set out the vision for the site, some background statistics, maps and plans and included existing images and future CGIs; and
- the full design and consultancy team, together with our senior team on site to answer questions and discuss some of the key issues.

p69
Read more in our CSR transport section
page 69

The overwhelming sense from the event was that people were impressed with the quality, care and depth of the work done to date and supportive of the principles established. Most people were keen to understand the plan for transport infrastructure and investment together with the roll-out of education, healthcare and other key facilities, which in major strategic developments can be planned to ensure investment is delivered at the right time. All important questions which, through our work on the outline application, we were able to answer.

1 Yoga class in community rooms.
2 Public consultation in the sports hall.
3 514 Squadron reunion event.
4 Waterbeach brass band rehearsing in the old gym building.

Being a good neighbour

We know many local residents do not want to get involved in planning. However, by opening up the site's facilities to local people instead of letting them sit empty, we have been able to establish diverse and ever-strengthening relationships. We estimate that an average of 150 to 200 people use facilities on the site every week for regular sports and leisure activities, around 75 cadets a week are on the site for exercises and over 1,000 people have attended annual events.

- Weekly groups held on site include:
  - Cambridge Triathlon Club
  - Waterbeach Brass Band
  - Badminton Club
  - Fitness4Living
  - Yoga
  - Cambridgeshire Cadets
- Regular training sessions held by Waterbeach Colts Football Club, across their age ranges
- Annual events including:
  - Waterbeach Toddler Playgroup 10k run
  - 514 Squadron reunion event
  - Open Studios "Summer at the Beach" arts event

In addition to these group sessions, the squash courts are now in regular use by local players and the museum, opening twice a month, has attracted 500 visitors so far and has generated an increased footfall through the summer months.

In response to the initial asks from the Parish Council, the team has submitted an application to extend the village cemetery by an acre into the barracks land, providing much needed grave space. They are currently also looking into the options for a temporary Park and Ride site on the hardstanding to alleviate an existing challenge of parking around the rail station, which plagues the village roads and residential closes, and would establish early public transport options for new residents.

Getting ready to deliver

As part of the developing outline application, we have taken the existing landscape features and heritage assets into account to develop plans which respect and enhance both. With over 2,000 hours of ecological surveying, and an intensive Environmental Impact Assessment underway, the team has also progressed strategic development with thinking about the practical delivery of early infrastructure and works. We have undertaken initial geo-environmental ground investigation works across the area where the more detailed development of Phase 1 has been drawn up. The work has gone on side by side with archaeological trenching.

In a site so rich with both ancient history and recent military uses, the surveys have revealed over 50 unexploded ordnance and 250 archaeological finds to date. The work ensures that our knowledge of every inch of the site is robust and, as we gear up to turn listening into planning, and planning into delivery, we will ensure the high quality design, stunning setting and sustainable future Waterbeach deserves.

Newark

U&C

c.80 units

1
Serviced Parcel 1
172 units (terms agreed)

5
Employment parcel

2
Phase 1 of Southern Link Road

6
Newark Town centre

3
Sustrans Bridge

7
A1

4
Simpsons Pond

8
East Coast Main Line

www.urbanandcivic.com/projects/strategic-land/newark

hectares	acres	interest in site
281	694	c.82%

C.82% interest in the sites

Progress

Land:

- Land value of £36.1 million up from £25.5 million in 2015.

Infrastructure:

- Phase 1 of the Southern Link Road completed, unlocking land for up to 600 homes.
- Realignment of Bowbridge Lane and completion of the roundabout and connection to Bowbridge Road.
- Construction of a new Sustrans bridge across the Southern Link Road.
- Engagement with Statutory Undertakers to ensure all vital infrastructure for remaining phases of development are in place and co-ordinated with design.
- Advancement of design for future phases of the Southern link road.

Homes and Businesses:

- Review of the masterplan to enhance the first phase.
- Reserved matters application submitted for Phase 1 green infrastructure and completion of preparatory work on site.
- Discussions ongoing with housebuilders for delivery of first 172 plots alongside Urban&Civic direct delivery of 80 plots.
- Commencement of marketing for commercial land.

Future milestones

- Exchange contracts with housebuilders and commencement of first homes during 2017.
- Delivery of green and grey infrastructure delivery to support first homes.
- Design and submit planning for first primary school.
- Submit reserved matters application and commencement of first pre-let commercial plots.
- Progression of Phase 2 of the Southern Link Road running west towards the A46.


6
U&C
1
4
3


8
7
2
5

Finishing the groundwork and refining the masterplan

Opening connections
As a key part of the creation of the first serviced land parcels in Newark, the delivery of the strategically important first leg of the Southern Link Road (SLR) and associated infrastructure has dominated the landscape and the headlines throughout 2016 with the presence of new roads, junctions, roundabouts and bridges very apparent as you enter the site. Generating attention across the town for its significant contribution to local economic growth and its ability to unlock housing land for the borough, the SLR has been our flagship venture with the HCA, District and County Council, LEP and Highways Agency.

Features of the initial phase of the SLR are a new junction to the east of the site connecting to the existing Staple Lane and a bridge over the Middle Beck watercourse. Completing the first phase is a new 55 metre roundabout which will connect the realigned Bowbridge Lane – transformed from a narrow country lane into a new high quality road – with Newark town centre a couple of miles to the north. This roundabout has been future proofed to allow the subsequent phases of the link road, where ultimately it will join the A46 trunk road, to connect as the project moves westwards. A further bridge reconnecting the Sustrans route for walkers, cyclists and horse riders has also been designed and installed with all users in mind and is now being enjoyed by locals as recreational users are now returning to the area following the intense period of construction. The use of the network of bridleways for local horse lovers has seen the advent of Urban&Civic's first Pegasus Crossing allowing safe passage across the newly aligned Bowbridge Lane. In the longer term, a network of links will allow users to pass through the area and beyond.

Next up in grey infrastructure installation is the new loop road through Phase 1, which ties into the SLR and offers access to the early residential parcels. Construction of this will begin in early 2017.

1 Phase 1 of Southern Link Road.
2 Sustrans Bridge.
3 Phase 1 Middlebeck masterplan.

Landscape on the move

The new ponds, which provide water management, also dominate the eye at the west of the site forming an early signal of our investment in green and amenity spaces. With landscaping continuing in earnest through the early part of 2017, this will add further evidence to the quality of placemaking. A new bridleway across the site is the next tangible element of delivery, being done in partnership with the local rambling and equestrian communities, and we are building on the strong partnership established with Sustrans to ensure the site remains a popular destination and thoroughfare for local cyclists, dog walkers and horse riders. The retention of existing mature trees and hedgerows will protect the original character of the area and the development's name – Middlebeck – also pays tribute to the site's natural watercourse. Already a name locally associated with the area, Middlebeck suits the creation of the early new community at Newark's southern edge. Its literal description and the connotations of wildlife, watercourses and landscape are very much in line with our vision for the development.

Placemaking re-imagined

While the hard work of infrastructure delivery to open up the site has been much in evidence, behind the scenes our focus has been to craft a masterplan framework for the first phase of the housing.

The importance of placemaking in terms of guiding the architectural principles of the Alconbury and Rugby projects has been carried through into the more detailed plans for Newark. The existing outline masterplan was reappraised by BMD and Barton Willmore with a brief to create a "vision" for Key Phase 1 that would root the development in strong urban and landscape design principles whilst adding a deep layer of cultural and environmental significance.

In terms of layout, the masterplan for Phase 1 made several key moves. The school and local centre were moved north to create a more embedded civic focus whilst a network of open spaces has been woven throughout the scheme to create a liveable, walkable neighbourhood. This included the creation of "Jericho Green" to animate what was previously a large, dense parcel of housing in the north western corner. Perhaps the most crucial element of Phase 1 has been the way in which the best of the existing landscape has been retained to create "Willow Walk" and the "Simpsons Pond" – areas of high quality landscape that run right through the centre of the first residential phase.

Central to this exercise was an understanding of Newark itself and the processes, people and stories that have guided the evolution of this historic market town. Place names and subtle landscape details reference important cultural and industrial figures from the area whilst the deep significance of the English Civil War was expressed as part of a holistic landscape strategy that runs throughout the public open spaces. These successful design exercises have already been expanded in scope to consider the entirety of the development and how it ties into the wider context of Newark.

We are in active discussions with housebuilders for the first parcel having gone to the market earlier this year. Following our work on refining the masterplan for Phase 1, we anticipate that Urban&Civic will deliver 80 units within that phase alongside the selected housebuilder. As part of the work on Phase 1 the design of the first primary school is already underway, transitioning from infrastructure installation and the focus on grey infrastructure to a wider, more holistic placemaking agenda.

Feethams
DARLINGTON

Opened

SUMMER 2016

1 **9 Screen Cinema:** vue

2 **Food & Beverage:**

Bella Italia

HUNGRY HORSE

SUBWAY

Nando's

PREZZO

mangobean™

THE CHINESE BUFFET™

3 **80-Bed Hotel:** Premier Inn

www.feethamsdarlington.co.uk

COMMERCIAL

number of sites	hectares	acres
13	18	45

Progress

- Completed and sold all apartments at Bristol Quay realising £17.3 million proceeds in the year.
- Completed and sold Herne Bay supermarket realising £38.2 million proceeds.
- Completed and opened Feethams leisure development.
- Received planning consent for new units and reconfiguration of Gallagher Retail Park at Bradford and pre-let two drive thrus.
- Submitted new all residential planning application for Princess Street, Manchester, comprising 351 apartments in three buildings.
- Commenced international design competition for Deansgate, Manchester, site.
- Appointed preferred developer of the Westside Leisure development in Wolverhampton.

Future milestones

- The Commercial team will be focused on securing additional commercial and city centre opportunities, in a capital efficient manner, which build on the reputation for quality and delivery achieved to date.
- Ongoing profit realisation will be targeted from the existing portfolio by:
  - Completing construction of Stansted Hotel and opening as a Hampton by Hilton, retaining the asset in order to build income;
  - Obtaining planning and starting construction of residential scheme, via a joint venture, at Princess Street, Manchester;
  - Appointing architects for Deansgate mixed use redevelopment and progressing the planning application in association with Manchester City Council whilst maximising short-term income from the existing hotel operation;
  - Commencing construction and reconfiguration at Bradford to maximise income and establish a stable trading platform; and
  - Completing the development agreement for Westside Wolverhampton and submitting planning.


1
2
vue
PREZZO


3
Premier Inn
Premier Inn

Realising value and creating opportunities

We have now successfully completed the construction of all Terrace Hill's historic commercial and city centre residential schemes and continue to source new opportunities in the same sectors.

Value realisation

At Herne Bay in Kent we completed the new 100,000 sq.ft. Sainsbury's store in April. The tenant paused their occupation of the building once completed and it had been our intention to hold onto the asset until Sainsbury's intentions became clear. However, an off-market approach from a pension fund keen to invest in the RPI-linked 25-year income made our decision to sell a simple one. The sale, which completed in October for £38.2 million has returned £6.3 million to the Group after costs and repayment of debt, which will be reinvested in new projects where we foresee higher returns on our capital. Furthermore, the opportunity has arisen on land close to the Sainsbury's store for further retail development and trading opportunities which we are exceptionally well placed to deliver given our standing in the local area.

At Bridge Quay, which last year was covered by a 60 ft. Bridget popart poster and now overlooks the Floating Harbour in Bristol city centre, we have completed and sold all 59 apartments achieving record values for Bristol of up to £600 p.s.f. for the top-level flats with water frontage. Our focus on residential quality and design has led to not only record values, but extremely fast take-up with all the units being under offer before completion of the building works. We are taking this learning and applying it throughout the business.

p3
See quote from Kelly Thomas, Owner-occupier, Bridge Quay
page 3

Quality creates new opportunities

We also completed and opened our Feethams leisure scheme in Darlington over the summer. Comprising a Vue multiscreen cinema, an 80-bedroom Premier Inn and eight restaurant/diners the launch got off to a roaring start with attendances at all venues above the operators' initial expectations. We have orchestrated a huge amount of public engagement around Feethams by holding regular community and promotional events in the public open spaces. Furthermore, we have actively engaged with the local authority and public sector bodies to use Feethams as a catalyst to promote Darlington and its attractions. We aim to maximise the scheme's income potential over the coming year.

p117
See quote from Tom Buchanan, Customer Assistant, Vue Cinema
page 117

1 Face painting at the Feethams launch event.
2 Bridge Quay's riverside frontage.
3 Cllr. Lawrence, leader of Wolverhampton City Council, with Nigel Hugill.
4 CGI of Wolverhampton Westside proposals.

p73
Read more in our CSR community projects section
pages 73 and 74

3

“When I looked at the initial bids that were submitted, Urban&Civic were far and away the strongest and by the final stage they had clearly set out the most interesting development. As a company, I have got every confidence that they will bring forward a major mixed-use leisure development on Westside which we have needed for so long.

CLLR ROGER LAWRENCE
Leader of City of Wolverhampton Council

The success of our Feethams scheme and the benchmark of quality it has established contributed to the decision of Wolverhampton City Council to appoint us as the preferred developer of their Westside leisure development in the city centre.

This is an exciting multi-site town centre scheme. We have been working with the city on our plans since the early summer and proposals for the regeneration of the Westside area into a comprehensive attraction which will include a cinema, restaurants, bars and eateries, family-orientated leisure like trampolining, a hotel, a multi-storey car park and a later phase which may include residential. The aggregate value of the development will be about £50 million and will form a key part of Wolverhampton's ambitions to regenerate their city centre. We expect to formalise our agreements with the city towards the end of this year with a start on site in early 2018.

4

Targeted delivery

Demand within the leisure sector from occupiers and consumers alike remains robust and our asset management initiatives at Bradford are taking shape.

We have signed the tenants and received planning consent for KFC and Costa drive thru units at the prominent entrance to the site and have agreed terms with Odeon to reconfigure their existing space and extend their lease. We have also agreed terms with a trampoline operator to take the first floor space vacated by Odeon which will enhance the overall attraction of the venue, particularly to families. We have received detailed planning for these alterations as well as the addition of two further restaurants at the entrance to the new building. We plan to start the building works in spring next year.

Elsewhere we have completed our retail scheme in Bude. Anchored by a 22,000 sq.ft. B&M store and garden centre, we anticipate we will sell this asset next spring. In Skelton in East Cleveland we are also about to commence a similar B&M-anchored development next to an Asda we completed a couple of years ago.

This model works well and we are exploring a number of similar opportunities across the country for quick turnaround development trading profits.

Construction of our 357-bed Hampton by Hilton at Stansted airport commenced in earnest in January 2016, following the completion of the lease with Manchester Airports Group, and build contract in late 2015. Our main contractor, McAleer & Rushe, has considerable experience in hotel construction and is making excellent progress, all the time working closely with Manchester Airports Group on the provision of services and the delivery of a covered walkway linking the hotel directly with the terminal just 200m away. The hotel superstructure is complete, marked by a topping out ceremony in early October, and fitting out of the lower floors is well progressed. Construction is on programme and on cost with practical completion expected in June 2017.

Interstate Hotels, who will manage the hotel on our behalf, has begun the recruitment process for a general manager and key staff ensuring a smooth opening to the public is achieved shortly after completion of the build.

1 Construction of Stansted hotel.

2 CGI of Princess Street development, Manchester.

3 U&C team visit the Princess Street site.

City centre dynamism

Our other major city centre residential projects are in Manchester. At the 1-acre site in Princess Street we have submitted a supplementary planning application to change the use of the previously consented hotel to a further residential building, which will make the scheme a three-building residential development of 351 units. The ground floor will remain a dynamic mix of concierge facilities with ancillary retail and restaurant outlets adding greatly to the overall amenity for residents and the neighbouring community. Sales values and rents for residential property in Manchester's core continue to rise and we anticipate achieving average sales values of close to £400 p.s.f. We are in the process of forming a joint venture with a pension fund partner to finance the scheme which will keep our financial commitment to below 10 per cent of the total value but allow us to participate in 50 per cent of the equity returns. We have already moved our Manchester office so that it is across the road from the site and we will integrate a sales centre and show flat as Princess Street takes shape, with construction planned to commence in May next year with completion some 24 months later.

Also in Manchester, our investment in Deansgate continues to perform well with the Marriot-managed Renaissance hotel trading strongly and providing returns to us of almost double those of when we acquired the site. Although we intend to continue to keep the hotel open for the short term, we plan to comprehensively redevelop the site, which has the capacity for a replacement 250-bedroom full service hotel along with around 600 apartments, a basement car park and ancillary restaurants. As part of an ongoing design competition, we are currently examining initial proposals from some of the country's top architects for the redevelopment of the site and, with Manchester City Council, we will be jointly appointing a firm to take a design forward to planning next year.

CATESBY

number of sites	hectares	acres
54	709	1,752

Progress

- Number of plots controlled or in the pipeline (in solicitors' hands) increased from c.3,500 to 9,500.
- Two sites sold during the year with a gross land value of £16 million for 175 dwellings (both to Bovis Homes plc).
- Planning consent granted (or resolved to grant) on five sites for 760 dwellings with total s106 contributions to the local community of £5.5 million.
- One further site consented shortly following the year end for 390 dwellings in East Sussex and one site sold to Bovis Homes plc for 65 dwellings in South Oxfordshire.

Future milestones

- Catesby's existing business model, which achieves high levels of profit from minimal capital utilisation, will continue to target sites with returns on capital invested commensurate with historic returns.
- Increase its focus on medium-term land in order to build a sustainable pipeline in a planning environment where the number of adopted Local Plans is expected to increase.
- Build on the strengths of the Group and develop a portfolio of medium-sized (500–1,250 dwelling) sites which, in partnership with Urban&Civic, require infrastructure to maximise land value in a capital efficient manner.
- Look to increase its focus on brownfield site opportunities where an appropriate returns can be achieved from the change of use to residential in accordance with central government and planning policy preference.
- Following a managed growth in headcount and human resources, only limited further increase is envisaged to achieve further growth.

CASE STUDY

POTTON

The nine acres of land at Potton were secured through a competitive tender process which included significant interest from housebuilders and land promoters. Catesby was selected by the landowners as the preferred partner based on our recent experience in Central Bedfordshire District and our established working relationships with council officers and local politicians.

Heads of Terms were settled quickly with the landowners, which simplified the legal process and enabled a successful exchange of contracts in June 2016.

Catesby committed resources early to the planning process, which enabled an outline planning application to be submitted to Central Bedfordshire District Council in June 2016. This followed a detailed pre-application process including meetings with the Planning Authority and Town Council, and a public consultation exercise involving the local community.

In September 2016 Catesby secured a resolution to approve planning permission for up to 90 dwellings. The application was determined at the local level within the statutory 13-week period. The speed of approval reflected our detailed knowledge and understanding of the local planning context, as well as our collaborative approach to the preparation of the application.

It was through these discussions we identified that the capacity of the local GP surgery and increasing recreational pressure on the nearby RSPB nature reserve were important local issues. In response, we worked with relevant stakeholders to develop a focused package of mitigation measures to be delivered as part of the s106 legal agreement. This included a scheme for the extension of the GP surgery and funding for extra volunteers at the RSPB reserve.

Catesby will now work alongside the landowners to agree a detailed marketing strategy for the disposal of the land to housebuilders. This will form the basis of an open market tender process where selected interested parties will be invited to put forward structured offers for the acquisition of the site.

Increasing our portfolio and enhancing our capability

In its first full year within the Urban&Civic Group, and in accordance with our strategy, the Catesby team has focused on expanding both the number of sites under control and the scale and complexity of those sites.

Delivering on strategy

Catesby has been able to more than double its portfolio whilst maintaining its core selection criteria in terms of both planning prospects and location. Conversion at the other end of the process has been equally successful. We have obtained planning consent or resolution to grant on five sites, totalling 760 dwellings, during the financial year and sold land for 175 homes across two sites to housebuilders. In addition and shortly following the year end, planning consent was obtained in East Sussex for a further site of 390 homes.

In combination these consents will deliver much needed market and affordable housing (an average of 40 per cent of the overall number of new homes being affordable) in key market areas as well as s106 and CIL contributions to local works and services totalling £10.6 million.

The case studies for Potton and Balsall Common demonstrate Catesby's approach in balancing the requirements of landowners in terms of returns, housebuilders in terms of supply and local authorities in terms of community.

Sharing in the uplift

The model of housing land promotion, alongside the landowner, is a relatively new one with much strategic land historically under the direct control of housebuilders via option agreements at a discount to market value. Our model builds upon a landowner's understandable desire to maximise the value of their prime asset whilst harnessing experience and expertise in planning, infrastructure and marketing. By sharing in the uplift achieved, both landowner and Catesby are jointly incentivised to maximise the value from land via onward and competitive sales to housebuilders.

1 Members of the Catesby Technical team on site.
2 Balsall Common prior to development.
3 Catesby senior team visiting Crest Nicholson's Balsall Common development.

This model is equally attractive to housebuilders whose desire for a velocity and return on capital can rapidly deliver on the resulting derisked land in areas of strong demand. Our continuous dialogue with housebuilders helps us refine our search areas and provide real insight to landowners and local authorities alike as to what can be expected and required in terms of returns and in terms of contributions.

Building on our traditional model of targeting sites of up to 500 units which are sold to a single housebuilder, Catesby has broadened its offering to the serviced land market by integrating infrastructure delivery capability on larger scale sites of 500–1,250 dwellings, deliverable in the short to medium term. These sites often have a lower planning risk but require investment in infrastructure to enable parcels of a marketable scale to be made available to housebuilders.

Working together

To enable this Catesby has drawn upon the expertise of the Urban&Civic Group, from infrastructuring serviced parcels at Alconbury, Rugby and Newark, and has recruited experienced staff from within the housebuilding industry.

In addition to increasing our offering, Catesby has continued to drive real benefits from being part of the Urban&Civic Group and vice versa. New land introductions are regularly being made in both directions with one already crystallising in a Catesby planning consent for 390 homes. Catesby has also benefited from the support of Urban&Civic where its team had a strong relationship with a local authority in whose area a site, with prospects for an immediate application for 150 dwellings, was situated. That initial introduction and validation has been translated into a consent and imminent sale to a national housebuilder.

S

As exemplified by the wider Group, Catesby invests considerable time and resource into engaging positively with the local communities impacted by its proposals. Our consistent aim is to secure a positive planning outcome at a local level without recourse to the appeal system. As a result, we strive to achieve an officer's recommendation for approval though, where necessary, Catesby continues to have a positive track record at appeal with four of the eight sites noted above (two sold, five consented during the year and one post-year end) approved at public inquiry.

The national planning context continues to evolve. However, it remains the case that the majority of local authorities do not have an NPPF compliant Local Plan in place or are required to review their existing plan in the short term. This continues to provide a positive environment within which Catesby can operate though we are further diversifying our base by allocating a proportion of capital in sites with prospects for a planning consent over a three to seven year time frame, rather than the shorter term, which has been the singular focus of the business in the past. This provides an effective hedge to help sustain the delivery of planning consents into the medium term whilst also achieving a higher profit share.

CASE STUDY

BALSALL COMMON

Catesby received outline planning consent from Solihull Metropolitan Borough Council for a total of 115 dwellings on two neighbouring sites in the early summer of 2015 and these were quickly sold, following a tendering process, to Crest Nicholson plc.

Balsall Common highlights the delivery advantages of Catesby schemes, being technically considered, enabling the preferred housebuilder to quickly apply for reserved matters consent and as a consequence ensuring that construction commences approximately 12 months after the principle of development was established with new homes being sold and available for occupation shortly thereafter.

"

Wanting to build on our previous successes at the Dorridge View and Dorridge Gate developments in Solihull, we worked closely with Catesby to purchase the 115-unit development opportunity at Kenilworth Road, Balsall Common, following the grant of outline planning consent.

This is a fantastic site for Crest Nicholson and it was a pleasure to work with Catesby whilst securing the site. The purchase has enabled us to expand our operations in a very desirable area of Solihull whilst allowing us to create a sympathetic, design-led development of 115 houses and apartments. Catesby brought to the market a site that was technically considered and deliverable and following a very quick reserved matters consent, we are now operational, with sales looking positive following the launch of the show homes in October. I am confident this will be a very successful site for Crest Nicholson and look forward to being able to conclude another deal with Catesby in the near future.

TOM HEATHCOTE
Development Director for Crest Nicholson plc Chiltern Division

CORPORATE SOCIAL RESPONSIBILITY

PART OF OUR DNA

"

Doing things right has always been a core part of what drives Urban&Civic. It allows us to recruit the best people into the business, encourages stakeholders to work with us and ultimately means we can all share in the dividend of a job well done. We believe passionately that social responsibility is not an adjunct to our business but forms part of our corporate DNA.

In addition to our corporate activities, we have sought to give a flavour of what has been happening on the ground and the difference we, together with our stakeholders, partners and neighbours, have been able to make through the developments Urban&Civic are taking forward around the country.

JAMES SCOTT
Director of Planning and Communications

p66

DELIVERY

Stakeholder engagement

Job creation and economic growth

Efficient design, environment and sustainability

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COMMUNITY

Staff engagement

Community projects

Charitable donations

DELIVERY

Stakeholder engagement
Alongside the full range of community consultation events, such as those described for Waterbeach on page 48, we have sought out a series of projects to support and engage specific groups in the process of development and the history of the sites, and we have even re-established transatlantic connections.

Offering local children the opportunity to explore and learn about where they live is exciting, but offering them the chance to shape and create it is the really exciting part. Given Rugby's transatlantic connections, we also wanted to reach out to the community of Houlton in Maine, which was the receiving station for Rugby's transmissions to North America. Our team went over to Houlton and met representatives of the civic, historical and educational institutions of the town and we have a whole series of events planned for 2017, which will help forge new connections between these two places. These include celebrating the 90th anniversary of the first regular transatlantic phone service in January and a joint school project on the history of telecommunications.

At Alconbury Weald, working with theatre company New International Encounter we developed a project for young people to get involved in a range of cultural projects about the Cold War, which culminated in a three-night production over the summer, an arts display, and the opening up of the listed avionics building for English Heritage's annual heritage open days. The events were booked out and building 210, often referred to as "Magic Mountain", was opened up for the first time to the general public. Designed to withstand a direct nuclear attack, the building was created to safely process the photography from U2 spy plane reconnaissance missions in the late 1980s. Completed in 1988 and redundant in 1989 with the fall of the Berlin Wall, it is packed with symbolism of the Cold War period and is an emblem of the American presence in the area post-Second World War. It's both an inspiring and stark reminder of global politics and certainly left an impression on everyone that visited it.

Job creation and economic growth
At Alconbury Weald, 2016 saw the first full operational year of the innovative jobs and skills partnerships – EDGE – founded by Urban&Civic and working with local partners including the Jobcentre, training providers, careers advice services and local authorities.

Based in Huntingdon Town Centre, the EDGE team acts as a jobs and skills brokerage between Alconbury Weald businesses and contractors and local people looking for work. All construction contractors employed by Urban&Civic on site are part of the CITB National Skills Academy for Construction framework, which mandates them to support local employment, careers aspiration and to invest in training, through EDGE.

CASE STUDY – STAKEHOLDER ENGAGEMENT

HILLMORTON PRIMARY SCHOOL, RUGBY

Even before the first home is built at Rugby, we have developed great relationships with local schools around the site getting them involved in designing houses of the future, science exhibitions and creating signage for our traffic calming schemes. Hillmorton Primary School, the closest primary school to the first phase of development, was really keen to explore the history of the site and in June the whole school (over 200 pupils) visited the Station C building. Built in 1926, Grade II listed and once the hub of the world's most powerful radio station – the building is inspiring, vast and old. The children loved it and the whole school got involved in the project. Some children wrote poetry, created artwork, films or photography. Working with the Head and her teaching team, it was inspiring to see how they used history as an anchor to bring the strengths of different pupils out through their work. This project has really set the tone for how we will continue to work with other local schools as we develop Houlton and indeed our own school when it opens in 2017.

CASE STUDY – JOB CREATION AND ECONOMIC GROWTH

THE TUNING FORK CAFE, RUGBY

Family partnership, Elaine, Iain and James Enticott are the driving force behind The Tuning Fork – Rugby's newest eatery, which will be Houlton's first local business and Dollman Farm's anchor tenant. Part of a successful catering family, Iain Enticott runs local catering company Chef's Kitchen, that has supplied all of our on-site catering needs from their base in Hillmorton. Their attention to quality and professionalism was evident from the outset. Elaine and James have been involved in every aspect of the creation of The Tuning Fork as part of the new community hub, which includes our visitor centre and community space. Local produce and supply chain is also a key theme for Elaine and James. With great linkages to the local market, they are sourcing many of their ingredients locally and will sell locally made bread and jams in the café itself. Starting up a business in a location where there is no existing footfall and where we are still some 12 months from having a real sense of community forming is clearly a challenge. De-risking the venture and delivering the upfront infrastructure is one way we have supported Elaine and James with The Tuning Fork. They have been able to concentrate on ensuring their product is of the highest quality whilst we have deployed our marketing expertise and on-site resource to leverage The Tuning Fork brand alongside our promotion of Houlton as a development. The early years, as with all new business, will be a testing time but this is very much a joint venture with a shared sense of quality and place. We are confident that 2017 will see The Tuning Fork put Houlton on the map and vice versa.

To date EDGE has put over 70 local people into work or training, with 53 in employment, 11 in further training to make them job ready and eight in apprenticeship schemes. The team has also laid on a number of events including:

- the annual schools careers fair, which brings 800 students together with 80 businesses. This year the focus was on construction and engineering with the Urban&Civic team being joined by the companies delivering the £1.5 billion investment in the A14 upgrade;
- as part of National Apprenticeship Week, EDGE held a sign-up day, seeing over 100 people and securing a range of apprentice opportunities, including for on-site contractor Breheny; and
- in July, EDGE and Urban&Civic partnered with the environmental charity Groundwork to organise a green team project, in which six young volunteers spruced up various sites in Huntingdonshire while gaining valuable practical experience and qualifications to help boost their job prospects. Breheny has since taken on two of the participants on a work trial.

With housebuilding underway, iMET locating in the Enterprise Zone and significant employment space under construction, we anticipate that the impact of EDGE will increase significantly during 2017.

Urban&Civic is also committed to supporting the local supply chain and maximising the economic benefit of the development. In addition to regular meet-the-buyer events, our team at Alconbury Weald also hosts a quarterly Construction Network, which brings local companies together to have an update on the development and on other projects in the area. The Network is delivered in partnership with the Chamber of Commerce Construction Sector and has a regular attendance of 50–70 local companies. With more and more companies moving to the site, the team has now launched business surgeries that bring companies on site together with similar companies from the local area to look at opportunities for growth, skills and training requirements and supply chain. The surgeries are held in partnership with the Economic Development team at Huntingdonshire District Council.

Our project teams around the country learn from the experience at Alconbury and work with contractors on site to support their use of the local supply chain and to look to combine supply requirements where possible. At Newark, for example, the Buckingham Group are employing nearly 40 per cent of subcontractors from within a 45-mile radius of the site and are targeting locally based material and plant suppliers.

Efficient design, environment and sustainability

Alconbury Weald continues its reduce, reuse and recycle principles, with over 340,000 tonnes of crush recycled in the last 12 months. We have been working hard with our first housebuilder, Hopkins Homes, to achieve our low carbon agenda.

DELIVERY CONTINUED

CASE STUDY – SUSTAINABILITY

SUSTAINABLE HOUSEBUILDING

Hopkins' approach to low carbon is to "be lean", "be clean" and "be green" and they have a clear target of a 10 per cent reduction in on-site carbon by the use of renewable and/or low carbon technology. At Alconbury, this has meant:

- Be lean – external consultants have worked with Hopkins' in-house technical department to optimise the carbon saved through the fabric and passive design of the site – using heat gains and the orientation of dwellings to offset space heating.
- Be clean – optimising heating and hot water specification – using super-efficient LZC technology towards lowering their baseline total.
- Be green – use renewable and recoverable low carbon technology to meet the 10 per cent emissions targets such as:
  - flue gas heat recovery systems; and
  - waste water heat recovery systems.

In addition and in accordance with our wider site-wide principles Hopkins has:

- Supplied and installed internal recycling bins as well as external storage (sheds) for properties without garages. The sheds have built in cycle loops for cycle storage. Garages have space for cycle storage.
- Sourced a large majority of labour locally to reduce the carbon footprint.
  - 80 per cent of Hopkins' labour comes from within a 50-mile radius of Alconbury.
  - All labour is sourced from the East of England.
- Utilised local building merchants and suppliers to reduce haulage. Ridgeon's at Peterborough is their main supplier and central material storage facility for Alconbury, providing 40 per cent of material requirements for the site.
- Procured 55 per cent of their materials within a 50-mile radius of Alconbury.
- Ensured that their windows, doors and stairs are all BM TRADA "Chain of Custody" certificated and that all boards, panels, sawn timber, engineered timber and trusses for roof construction are also certificated with a BM TRADA "Chain of Custody".
- Relocated or stockpiled all excess arisings (topsoil and subsoil) and procured recycled aggregate from the wider site to use within their construction of drives, roads and paths.
- Installed water restrictors to reduce the amount of water consumption per person per day. The restrictors will allow 113 litres of consumption per person per day, which is well ahead of Building Regulations, which stipulate 125 litres per person per day.

Transport

In addition to the s106 contributions that formed part of planning permission for the supermarket consent in Herne Bay, Urban&Civic also helped fund a pedestrian and cycle crossing across the railway line next to the existing road bridge. The bridge was something that the community had made clear they really wanted from the outset of discussions and so we worked with landowners, Network Rail and local companies to help make it happen. The bridge is named the Albert Hugo Friday Bridge, in honour of a young Spitfire pilot who crashed nearby, and was opened by his descendants earlier this year. It creates a safe passage over the railway line for pedestrians and cyclists and has been warmly welcomed by local residents.

At Alconbury Weald, 2016 saw the launch of the extensive travel planning that underpins the development, including the offering of free bus tickets and cycle vouchers to establish early cultures of getting people out of cars. The development's cycle group and bike hire hubs are due to be delivered over the next few months. Urban&Civic has also agreed to fund environmental enhancements along Ermine Street, which runs parallel to our site, through to the Stukeley villages. The scheme aims to both provide a more rural setting for the road, and in turn deter cars from driving through the villages as a "rat run". The plans have been developed with local authority transport teams and a residents' transport group. The enhancements were written into the Transport Plan and need to be in place before the 250th home is occupied in the first half of 2018. The team is also funding Gateway Features for the neighbouring Alconbury Village to enhance the rural feel and to link into a wider update of signage across the local area.

CASE STUDY – TRANSPORT

WATERBEACH CYCLE APP

We developed a cycle tour app as part of the September consultation events and as an important statement of intent around supporting the development as a cycle-friendly place. The app was developed to provide people the chance to navigate the site and learn about its history – with key "stops" for people to download additional information, images or listen to audio. It was also an investment in the future travel app which will be developed to help people get around the new development and connect them to the wider area, as connections are developed. The travel app will provide up-to-date information for residents and visitors, promoting local bus, train and cycle opportunities, as well as car share and other schemes to encourage people to leave their cars at home and use more sustainable means to get around.

"

Cambridgeshire has among the highest levels of commuting to work by bicycle in the country and, with Cambridge just a few kilometres away across a flat landscape, promoting and encouraging cycling has been an important part of the development from day one. We have pool bikes for the team to use to get around the site and a number of cycle groups using the site on a regular basis. We are also looking to bring forward an early Park and Ride scheme, with specific cycle provision. This app is part of our early investment in what will become a tool to help people explore the site and the local area on their bikes.

REBECCA BRITTON
Communications, Communities and Partnerships

OPERATIONS

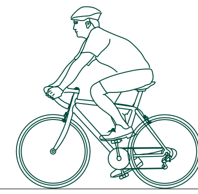
Travel

It is the nature of our business that the Urban&Civic team regularly travels around the country to view sites, attend stakeholder events, as well as meet landowners, contractors, tenants and local communities. Whilst our headquarters are in London, we maintain a network of regional and site offices to achieve the efficient distribution of personnel, as well as local knowledge and real connections. Business travel procedures are fully documented and subject to authorisation protocols in order to ensure journeys are undertaken appropriately. Travel by rail predominates.

As already described in connection with the Waterbeach consultation event, we actively promote cycle use and have bicycles on site at Waterbeach and Alconbury for site tours. In addition, all employees are eligible to join the Group's cycle to work scheme and currently around 21 per cent of staff commute by bicycle.

Percentage of staff commuting by bicycle

21%



Energy conservation

Our greenhouse gas emissions statement includes all emission sources required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for the financial year ended 30 September 2016 and includes comparison on a like-for-like basis.

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

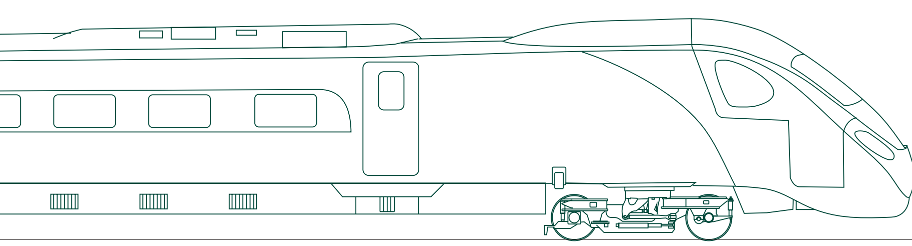
- the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition);
- the Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guideline (2013); and
- the Department of Environment, Food and Rural Affairs (DEFRA) Carbon Conversion Factors 2016.

The emissions reported are those for which Urban&Civic is operationally responsible for. Therefore, carbon emissions produced from assets that are not owned by Urban&Civic and where they are acting under a development management agreement for the assets' development are deemed the responsibility of its client and have been excluded from this report. The assets will be included when the land is drawn down under that agreement in future periods. No emissions data has been included in the emissions table where Urban&Civic has an interest in property or operations, but does not have operational control. Consequently, tenant consumption and certain joint ventures have been omitted from the presented analysis. The sites that were considered to be controlled operationally by Urban&Civic included all offices occupied by the Group, as well as Alconbury Weald and the Renaissance hotel at Deansgate, Manchester. Alconbury Weald and the hotel at Deansgate were the highest producers of CO_2e emissions, accounting for 89 per cent of Urban&Civic's overall carbon emissions.

The intensity ratio has dropped by 42 per cent in 2016. However, this is due to an increase in turnover and the total CO_2e tonnes emitted year on year remains near constant at a 0.4 per cent decrease. The 2015 reported emissions data of the Urban&Civic Group is for the 12 months ended 30 September 2015 and includes the Catesby group from acquisition in February 2015. The 2016 reported emissions are for the enlarged Urban&Civic Group for the 12 months ended 30 September 2016.

Emissions

Emissions source	Year ended 30 September 2016 CO_2e tonnes	Year ended 30 September 2015 CO_2e tonnes
Combustion of fuel and operation of facilities	**864**	708
Electricity, heat and cooling purchased for own use	**1,879**	2,046
Total	**2,743**	2,754
Financial turnover (excluding recoverable property expenses) £m	**93.9**	54.6
Intensity ratio: CO_2e tonnes/turnover £m	**29.2**	50.4



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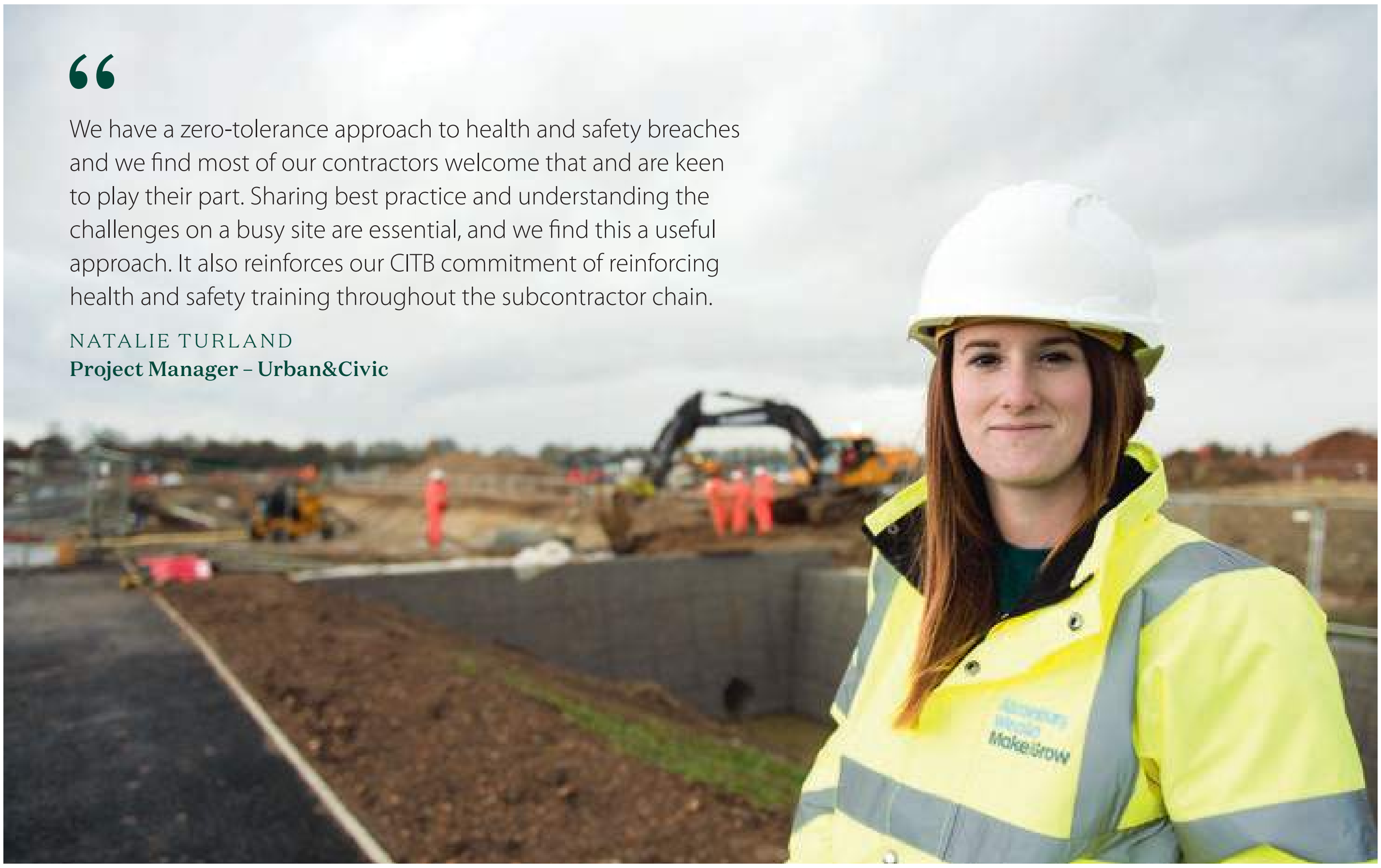
1 Urban&Civic team on the move
2 Feethams Social Media Post



“We have a zero-tolerance approach to health and safety breaches and we find most of our contractors welcome that and are keen to play their part. Sharing best practice and understanding the challenges on a busy site are essential, and we find this a useful approach. It also reinforces our CITB commitment of reinforcing health and safety training throughout the subcontractor chain.

NATALIE TURLAND
Project Manager – Urban&Civic

Health and safety

Our activities cover a range of sites, uses and stages of development. From the Board down, we take our responsibility to safeguard the health and safety of our employees, contractors and the public extremely seriously. Our policies are subject to periodic review and we have active dialogue with our contractors, tenants and stakeholders to ensure best practice and mutual learning.

By way of example, in terms of co-ordinating the actions across contractors, at Alconbury Weald, Project Manager Natalie Turland organises a quarterly Health and Safety Forum which is attended by contractors. The Forum provides an opportunity to review issues and near misses, as well as develop robust approaches, for example, on unexploded ordnance.

Where we retain ownership of operational assets, such as Feethams Darlington, the ongoing management of the development in conjunction with the facilities management team includes regular health and safety inspections and monthly reports identifying any incidents or improvement opportunities.

Initiatives including the linking of the CCTV system into the wider Darlington Borough Council and police camera monitoring system for a fully co-ordinated approach are being implemented. Such facility management improvements aim to address any antisocial behaviour concerns for the benefit of both staff and users. We also take particular care when hosting events on the scheme and are delighted by feedback from even our youngest visitors.

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

Urban&Civic’s performance in the year has been:

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

2

EMPLOYMENT

Retention and training
Staff retention remains high and we have been actively recruiting into Urban&Civic and Catesby across a range of activities to supplement our team. We have attracted exceptionally strong candidates and are delighted that Adam Brooks, Joe Dawson, Natalie Turland, Matthew Croft and Alison Gamble (Development and Project Management); Peter Francis, Jatinder Rait, William House, Sakda Janla-Or (Finance); Jesser Paton (Office Administration); and Matthew Brighton, Steve Morris, Edward Barrett, Gurdev Moore and Dawn Adams (Catesby) have joined us.

1

This year, the Urban&Civic staff conference was held at our Renaissance hotel in Manchester. In addition to the usual updates, we asked teams to tackle and report on topics ranging from our USPs to internal communications and are currently embedding their suggestions into business practice. We also asked members of our strategic sites, finance and Catesby teams to tell us about a day in their lives which provided a real insight into the range of activities we are all involved in.

We also brought together our consultants and staff for an activity day, hosted by the Waterbeach project, which involved mixed teams competing against each other in a series of challenges that culminated with raft building on the lake. It was a great day that created lasting memories and helped build even stronger relationships, which are essential when delivering projects.

Whilst benchmarked salaries, goal-focused bonuses and incentive schemes remain an essential part of staff incentivisation, regular appraisal, training and internal promotion are considered vital too. As is exemplified by the ascension of David Wood to Group Finance Director, the Group has promoted internally this year and we continue to actively invest in training for team members.

The Board undertakes a review of Group policies and procedures as required.

The Board assessed the impact of the Market Abuse Regulations, which came into effect during the year, and introduced updates to various policies as a result. The Company Secretary ensures that updated policies are circulated to all staff and regularly refreshes the staff handbook to ensure it reflects best practice and the latest regulations. All permanent staff are eligible to join the Group's benefits schemes, including life assurance, permanent health insurance, medical insurance, and the Group pension scheme.

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

As required under the Modern Slavery Act 2015, Urban&Civic will prepare a formal policy dealing with slavery and human trafficking and will add this statement to the Company's website in 2017.

Diversity
The Group has adopted a diversity policy that is reviewed annually and can be found on our website. Appointments will be made on merit, skills and experience but with due regard to the benefits of diversity.

The Group's average length of service for employees as at 30 September 2016 was as follows:

	Total number of staff	Average length of service (years)
Property	38	4.8
Finance	15	5.4
Administration	10	3.5
Total	63	4.7

	Male %	Female %
Directors	89	11
Senior management (excluding Directors)	92	8
All staff	65	35


2

COMMUNITY

CASE STUDY – COMMUNITY PROJECTS

WATERBEACH TODDLER PLAYGROUP

Over 350 people took part in Waterbeach Toddler Playgroup's first running festival at Waterbeach Barracks in May, raising over £1,800 for the charity. The Playgroup has been a feature of the village for over 30 years and is seeking to raise money for relocation. We were delighted to open up the Barracks for a family-friendly fundraising event and help support this important part of Waterbeach's existing community.

"

The Barracks was the perfect setting and the Urban&Civic team's help before, during and after the event was invaluable. We're looking forward to organising our next event soon.

JESSICA KITT
General Trustee, Waterbeach Toddler Playgroup

Photo: sportsinfocus.co.uk

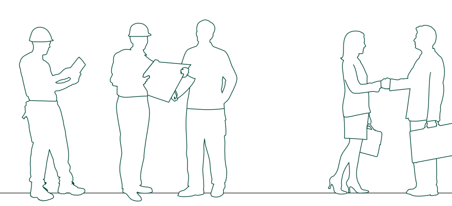
Staff engagement
Doing things right extends to every aspect of our business and we both encourage and support our team to play a part in their communities whether this be at work or at home. The insight and experience gained by the team in participating in community activities, twinned with the expertise and enthusiasm they are able to contribute, makes this a doubly rewarding activity. For example, this year has seen James Scott, who serves as a non-executive of East Thames and chairs their property and development committee, be actively involved in their merger with L&Q to form one of UK's largest and most dynamic housing associations. On average, Urban&Civic's staff collectively spend 53 days per year on non-Group community-focused activities.

Community projects
Our developments, large or small, become part of their communities. From the outset, we work hard to ensure that local people and stakeholders see these projects as playing a positive part in the life of the world around them. This can take many forms, from opening a site up to community uses, such as we've done at Waterbeach and Alconbury, to leveraging the skills and contacts within the Feethams team, as well as involving the community around a development to support projects in need of funding.

We believe that a sense of community is not just limited to the local level but that our business, our team and our projects should play a part nationally.

In addition to participating in conferences, workshops and industry bodies, we have also supported a series of regional and governmental projects which focus on our shared principles such as housing delivery, jobs and skills, quality of placemaking and delivery of infrastructure.

—
1 Urban&Civic Staff Conference
2 Waterbeach activity day



COMMUNITY CONTINUED

Community projects continued
Most recently, we hosted a Garden Village conference in the central hall of Alconbury's primary school to which all 51 local authorities pitching for Garden Village status were invited by the Homes and Communities Agency. Attended by the Housing Minister, Gavin Barwell, and Lord Matthew Taylor, this was a fascinating event that set out clearly the government's ambition to deliver homes in quality places. Tim Leathes, standing alongside Huntingdonshire District Council's Andy Moffat, jointly presented the way in which Alconbury had evolved from local pariah, before we acquired the site, to the development that you can see today and our team then guided a series of tours around the site sharing best practice.

> "DCLG and the HCA were delighted to work with Urban&Civic to host our first ministerial event on Garden Villages at Alconbury Weald. Urban&Civic's commitment to high quality design and the intelligent integration of residential, commercial and community activities alongside great open spaces is creating an exemplary new place at Alconbury Weald. The government's Garden Villages Programme shares this ambition to create quality new communities across England.
>
> LOUISE WYMAN
> **Garden Communities Lead — Homes and Communities Agency**

Charitable donations
Whilst Urban&Civic's charitable donations continue to be aligned with its business strategy, staff are also encouraged to contribute their time to charitable activity. This year has seen more cycling with Matt Croft cycling from London to Paris to raise money for Cerebral Palsy Awareness and Richard Hepworth undertaking various challenges on his bike to raise money for St Teresa's Hospice in Darlington, of which he is also a trustee and vice chairman. Maria Brennan eschewed the bicycle, walking 100km from Richmond Deer Park to Brighton Race Course in 36 continuous hours to raise funds for Macmillan Cancer Support. Both business and staff supported our colleague's endeavours and we are immensely proud of their achievements.

CASE STUDY – COMMUNITY PROJECTS

ST TERESA'S HOSPICE, DARLINGTON

Feethams' charity of the year is St Teresa's Hospice, which provides care and respite services to patients across the Darlington and North Yorkshire area. We work in partnership with the charity on a number of initiatives, such as their annual Santa Fun Run in early December, to help fundraise and support everyone involved. We also use our PR and social media channels to increase awareness of the charity and include them in our promotional activities such as the recent ice cream van tour. Our tenants have also engaged with the charity by donating raffle prizes, raising funds and organising volunteering opportunities. Our relationship with St Teresa's predates Feethams as our Director of Project Management, Richard Hepworth, has been a fundraiser and volunteer at the hospice for 13 years. As Vice Chair of the Trustees and Chair of their Development Committee, Richard has provided advice and guidance on the management of the charity's existing building assets and infrastructure, as well as the development of a number of new ventures to meet the ever changing provision of end of life care in the community.

CASE STUDY – CHARITABLE DONATIONS

CHRISTMAS APPEAL

Following a local Christmas appeal, Urban&Civic's Gary Ridgewell made it a mission to engage all the contractors and consultants working on the Alconbury Weald project. In a surge of festive generosity the teams made Christmas 2015 that little bit brighter for hundreds of local children and families in need by donating £15,000 worth of gifts and supplies to Cambridgeshire Social Services and Love Oxmoor Foodbank. The money collected bought over 750 individual toys and gifts ranging from cuddly toys and animal poppers to musical boxes and puzzles, as well as 145 books by popular authors for early years through to 18-year-olds. These were given to children in care and foster homes across the county, with additional items purchased to support family contact centres, including 130 card and board games, 100 changing mats, over 100 pyjamas/sleep suits and a range of bed covers. Gary also donated some of the money raised directly to Love Oxmoor Foodbank for their "100 Hampers Appeal".

The strategic report contained on pages 2 to 75 was approved by the Board on 1 December 2016.

On behalf of the Board

Nigel Hugill
Chief Executive

Robin Butler
Managing Director

G

CORPORATE GOVERNANCE

“

It is an incredible opportunity and an exciting challenge to start a school from scratch. We are extremely appreciative of the unique design and setting of this school, which provides us with many additional, rich learning opportunities. Working in partnership with Urban&Civic has been of great benefit to us and, as more and more new residents move in, the staff and children of Ermine Street Church Academy look forward to this collaboration, placing the school at the heart of the local community.

ADRIAN SHEPHERD
Headteacher, Ermine Street Church Academy
Alconbury Weald

THE BOARD IS RESPONSIBLE FOR GOOD GOVERNANCE

"The Company, led by the Board, strives towards high standards of corporate governance and complies with the principles and provisions of the UK Corporate Governance Code published by the Financial Reporting Council in April 2016 (the 'Code'). This report sets out the Group's principal governance policies and practices and explains how it complies with the provisions of the Code.

HEATHER WILLIAMS
Company Secretary

Further information can also be found in the reports of the:

p88
AUDIT COMMITTEE
pages 88 to 91

p92
NOMINATION COMMITTEE
pages 92 to 95

p96
REMUNERATION COMMITTEE
pages 96 to 110

Leadership

The Board

The Directors and their committee membership is shown below:

	Audit Committee	Remuneration Committee	Nomination Committee
Chairman			
Alan Dickinson	—	—	○
Executive Directors			
Nigel Hugill	—	—	—
Robin Butler	—	—	—
David Wood	—	—	—
Independent Non-Executive Directors			
Ian Barlow	○	●	●
June Barnes	●	—	●
Robert Dyson	●	○	●
Duncan Hunter	●	●	●
Non-independent Non-Executive Director			
Mark Tagliaferri	—	●	●

○ Chairman ● Member

Chairman and Chief Executive

Alan Dickinson was appointed as Chairman on 24 March 2016 replacing Nigel Hugill, who was appointed as Chief Executive on that date having previously held the role of Executive Chairman. The roles of the Chairman, Chief Executive, Managing Director and Finance Director have been clearly established with a division of responsibilities, set out in writing and approved by the Board. They are summarised in this report on page 82.

The Code requires that, on appointment, the Chairman should meet the independence criteria set out in Provision B.1.1. Alan Dickinson met these criteria on appointment and, therefore, this requirement was fulfilled.

Non-Executive Directors

The Group has five Non-Executive Directors in addition to the Chairman, of whom four (Ian Barlow, June Barnes, Robert Dyson and Duncan Hunter) are considered to be independent. Mark Tagliaferri represents GI Partners, the Group's largest shareholder, and is therefore not considered to be independent. Duncan Hunter has been appointed as Senior Independent Director. He acts as a support to the Chairman on governance issues and provides an alternative channel of communication between the Chairman and other Directors.

The Non-Executive Directors, led by the Senior Independent Director, meet at least annually without the Chairman or the Executive Directors present. The Chairman also holds regular meetings with the Non-Executive Directors.

The Board

The Board is responsible to shareholders for the good governance, objective risk assessment and effective leadership required to deliver the Group's objectives and for the achievement of long-term sustainable success of the Company. The Board has adopted a formal schedule of matters reserved for its decision.

These matters include:

- strategy;
- approval of significant acquisitions and disposals;
- internal controls and risk management;
- approval of operating and capital expenditure budgets;
- review of financial performance against a five-year plan;
- approval of interim and annual financial statements;
- dividend policy;
- corporate governance; and
- approval of Group policies.

The annual timetable of Board agenda items and the papers discussed at each meeting ensure that sufficient attention is paid throughout the year to the items included in the schedule of matters adopted by the Board.

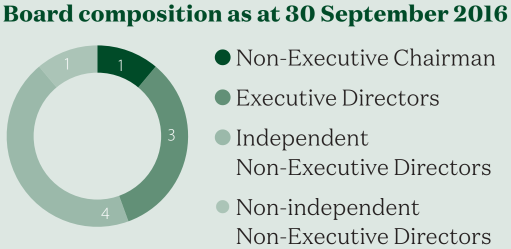
The main activities of the Board during the year ended 30 September 2016 include the following:

		Leadership	Strategy	Risk management	Finance	Governance	Shareholder relations
November 2015	Agreed to propose the adoption of a dividend reinvestment scheme						●
December 2015	Approved the Report and Accounts and announcement of results for the year ended 30 September 2015				●	●	
	Recommended the payment of a final dividend				●		●
January 2016	Approved the business to be proposed at the 2016 Annual General Meeting					●	●
February 2016	Reviewed strategy and business objectives	●	●				
	Reviewed risk management and the internal controls process			●			
	Approved delegated authority limits			●			
March 2016	Approved changes to Board composition	●					
	Approved the Company's dividend policy		●				●
May 2016	Reviewed the Market Abuse Regulations and approved revisions to Group policies as required					●	
	Approved the interim results for the six months to 31 March 2016				●	●	
	Approved the interim dividend				●		●
July 2016	Reviewed the Company's compliance with the UK Corporate Governance Code and with the Market Abuse Regulations					●	
	Reviewed the roles and responsibilities of the Chairman and the Executive Directors	●				●	
September 2016	Reviewed risk management and internal controls			●			

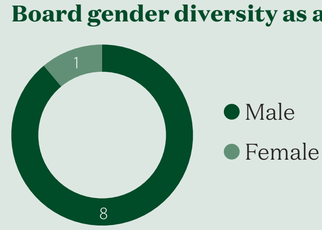
Effectiveness

The Code requires that the Board, its committees and individual Directors should have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. Having carried out a questionnaire-based Board evaluation process at the end of 2015 and adopted recommendations of the Nomination Committee for a revised Board composition, the Board is of the view that the current Board and committee structure works efficiently and is in the best interests of shareholders and the Group as a whole. An externally facilitated evaluation will take place in 2017, as described later in this report.

Board composition as at 30 September 2016



Board gender diversity as at 30 September 2016



Effectiveness continued

The key expertise and competencies of the Non-Executive Directors, demonstrating a balance of skills, knowledge and experience, are set out below:

	Expertise
Alan Dickinson	Property, finance and banking, investor relations
Ian Barlow	Finance and accounting, investor relations
June Barnes	Property, investor relations
Robert Dyson	Property, investor relations
Duncan Hunter	Finance and banking, investor relations
Mark Tagliaferri	Property, finance and banking

The roles and responsibilities of the Chairman and the Executive Directors were revisited following the changes to the Board made during the year. A detailed schedule of these roles was reviewed and adopted by the Board. This division of responsibilities is summarised below:

	Alan Dickinson Chairman	Nigel Hugill Chief Executive	Robin Butler Managing Director	David Wood Finance Director	
Leadership of the Board	●				Leadership
Leadership of the Company		●	●		Leadership
Development and achievement of the Group's objectives and strategy		●	●		Strategy
Review of the operational performance of the Group's business			●	●	Strategy
Identification of acquisitions and disposals of major projects and new business opportunities		●	●		Strategy
Ensure appropriate delegation of authority from Board to management	●				Risk management
Effective implementation of Board decisions		●			Strategy
Day to day responsibility for risk management and internal controls		●	●	●	Risk management
Financial strategy and management, including budget, banking and debt				●	Finance
Representation of the Company to stakeholders and communication with shareholders	●	●			Investor relations
Promotion of high standards of corporate governance	●				Governance
Ensure constructive communications between Executive and Non-Executive Directors	●				Leadership
Ensure that new Directors participate in an appropriate induction programme and that ongoing development needs of the Directors are met	●				Governance
Responsibility for ensuring performance of the Board, committees and individual Directors is assessed at least annually	●				Governance

Board and committees

The Board is ultimately responsible for the Group's corporate governance, strategy, risk management and performance. However, specific areas of responsibility are delegated to committees which have the authority to make decisions in accordance with their terms of reference. These are available on the Company's website. Each committee reviews its terms of reference on an annual basis. Key areas of responsibility are:

Audit Committee

- financial reporting;
- review of internal controls and risk management;
- governance and compliance; and
- supervision of the relationship with the external auditor.

Nomination Committee

- review of the structure, size and composition of the Board and its committees; and
- review of succession planning for the Board and senior management.

Remuneration Committee

- consideration and approval of the remuneration and benefits of the Directors of the Company; and
- review of the ongoing appropriateness of the remuneration policy.

Board and committee attendance

The Board holds six scheduled meetings each year. In addition, a number of unscheduled Board and committee meetings are held to discuss ad hoc matters or matters of a routine/administrative nature. Non-committee members of the Board attend committee meetings by invitation. The attendance record of the Directors at the scheduled Board meetings is shown in the table opposite. Attendance at committee meetings is shown in the reports of the Audit Committee (pages 88 to 91), Nomination Committee (pages 92 to 95) and Remuneration Committee (pages 96 to 110). All Directors in office at the time attended a Board strategy meeting held in February 2016.

	Number of meetings attended	Number of possible meetings[1]
Meetings held during the year ended 30 September 2016		
Chairman		
Alan Dickinson	6	6
Executive Directors		
Nigel Hugill	6	6
Robin Butler	6	6
David Wood[2]	2	2
Non-Executive Directors		
Ian Barlow[3]	1	1
June Barnes	6	6
Robert Dyson	5	6
Duncan Hunter	6	6
Mark Tagliaferri	6	6

1. Number of meetings the member was eligible to attend.
2. Appointed on 1 July 2016.
3. Appointed on 1 September 2016.

Appointments to the Board

The Nomination Committee led a review of Board composition during the year, making recommendations to the Board that resulted in the current Board structure. Further details are included in the Nomination Committee report on pages 92 to 95. The report includes details of the recruitment process, selection procedure and induction programme followed for the appointment of Ian Barlow.

Ian Barlow was appointed following a rigorous selection procedure and all Non-Executive Directors have been appointed to ensure an appropriate balance of skills on the Board. Future appointments will be made on merit against objective criteria with due regard to the balance of skills, experience, knowledge, diversity and independence of the Board to enable it to discharge its duties and responsibilities effectively. The Nomination Committee will lead this process and make recommendations to the Board.

Time commitment

Executive Directors are required to devote substantially all of their working time to their responsibilities as members of the Board, although certain outside directorships are permitted. The expected time commitment of Non-Executive Directors is specified in their letters of appointment and the current Non-Executive Directors have confirmed that they have sufficient time to meet what is expected of them. Any other significant commitments of the Non-Executive Directors were disclosed to the Board before their respective appointments and any changes to these commitments will be notified to the Chairman. Directors are expected to attend all scheduled Board meetings and additional meetings as required. They are also expected to attend all meetings of the committees of which they are a member, the annual strategy meeting and annual general meetings.

Effectiveness continued

Professional development

Each Director is provided with a tailored induction on joining the Board, including updates on specific areas of the Group's operations and one-to-one meetings with senior management and key advisers. Such an induction process was used for the appointment of Ian Barlow, as described in the Nomination Committee report on pages 92 to 95.

Directors are expected to develop their understanding of the Group's operations and to regularly update their skills and knowledge. They are offered training and guidance to enable them to fulfil their duties effectively. During the year, specific training has been provided through presentations at Board meetings by senior management and external advisers. Personalised one-to-one training sessions have also been provided to Non-Executive Directors throughout the year. Directors are encouraged to attend relevant seminars and conferences at the Company's expense. The Company Secretary regularly provides briefings on corporate governance and regulatory updates by the provision of Board papers and presentations at Board meetings, or between meetings as required. Specific training was provided to the Board during the year on the updated UK Corporate Governance Code requirements, the FRC Audit Committee guidance, Market Abuse Regulations, inside information requirements and bank facility documentation. The Finance Director has also provided individual training sessions with Non-Executive Directors covering areas such as financial reporting, management reporting, the valuations process and risk management.

Non-Executive Directors have undertaken a programme of site visits to further develop their understanding of the Group's business and operations. This also allows them to spend valuable time with management while on site. The Non-Executive Directors visit the key sites at least annually enabling them to see the progress first hand.

Information and support available to Directors

Board papers are provided to all Directors on a timely basis and in a form and of a quality to enable them to discharge their duties effectively. Prior to all Board meetings, Directors receive agendas and supporting papers with sufficient time allowed for appropriate review. The detailed papers facilitate discussion at the meetings. Board papers contain market, property, financial, governance and risk updates together with any other specific papers relating to agenda items as required. Presentations and verbal updates are also given at each Board meeting. All Directors are able to make further enquiries or requests for information if required and objective and constructive challenge by the Non-Executive Directors is welcomed.

Directors have access to the advice and services of a professionally qualified and experienced Company Secretary, who is responsible for ensuring appropriate information is made available to the Board and its committees and for planning the agendas for the annual cycle of Board and committee meetings. The Company Secretary assists with professional development as required and ensures compliance with Board, regulatory and corporate governance procedures.

Minutes of Board and committee meetings are circulated to all Directors shortly after each meeting and are also included in the following Board pack, providing the opportunity for review and to ensure that the minutes accurately reflect the discussions held and the decisions taken at each meeting. At Board meetings, the Board reviews the minutes of all meetings prior to signature by the chairman of each meeting. The chairman of each committee also provides a verbal update to the Board on matters discussed at each meeting. A detailed action list is circulated immediately following each meeting and the Company Secretary co-ordinates the agendas and Board papers for the following meeting to ensure that all outstanding points are adequately dealt with.

Directors are able to seek any further information or to take independent professional advice that they may require in the performance of their duties at the expense of the Company. None of the Directors sought such advice during the year.

Board evaluation and performance

During the year, the Chairman led a questionnaire-based evaluation of the performance and effectiveness of the Board and its committees. An externally facilitated Board evaluation process will take place in the current financial year, carried out by Independent Audit. This will include an evaluation of the Board as a whole, the Chairman, the committees and their chairmen, the Senior Independent Director and the Company Secretary. Independent Audit will carry out a detailed document review and will conduct one-to-one interviews with all Directors and the Company Secretary. They will provide a written report which will be presented to the Board at a Board meeting and will give advice on implementing recommendations.

Further details are contained in the Nomination Committee report on pages 92 to 95.

Annual re-election of Directors

Notwithstanding that the Company is not in the FTSE 350, the Board has adopted the policy that all Directors will be subject to annual election by shareholders in compliance with Code Provision B.7.1. Biographies of all Directors are on pages 86 to 87 and separate resolutions relating to their election or re-election are contained in the Notice of the Annual General Meeting to be held on 15 February 2017 ('2017 AGM'), as circulated with this Annual Report. The Board is satisfied that each of the Directors continues to be effective, demonstrates commitment to the role and that their election or re-election is in the best interest of the Company.

Accountability

Audit Committee

Ian Barlow (chairman of the Audit Committee) and Duncan Hunter (member of the Audit Committee) are both considered to have recent and relevant financial experience. Further details are in the report of the Audit Committee on pages 88 to 91 and biographical details of all Directors are set out on pages 86 to 87.

The terms of reference of the Audit Committee were reviewed during the year and are available on the Group's website.

Risk management and internal control

The Board is ultimately responsible for the Group's risk management and internal controls and has carried out a robust review of the Group's risks throughout the year. It is assisted in this by the Audit Committee to which it has delegated responsibility to ensure that the framework and processes by which risks are identified and mitigated are effective and that residual risks after mitigation are within the Group's risk appetite. Further detail of how this is achieved is contained in the Risk Review on pages 32 to 35. The role of the Audit Committee is commented on in its report on pages 88 to 91.

Notwithstanding the involvement of executive management in the internal controls and risk management of the Group, it has been decided that its increasing complexity now warrants the appointment of an internal audit function. The Board has appointed Grant Thornton to fulfil this role. Details of their proposed work are described in the report of the Audit Committee on pages 88 to 91.

Remuneration

This information is contained in the Directors' remuneration report on pages 96 to 110.

Relations with shareholders

Dialogue with shareholders

Communication with existing and potential shareholders is given a high priority and the Group undertakes regular dialogue with its shareholders. The Chairman and the Chief Executive are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year. Duncan Hunter, as Senior Independent Non-Executive Director, is available to discuss any issues or concerns with shareholders and is willing to hold meetings with shareholders whenever requested.

Summaries of meetings with investors are reviewed at each Board meeting, enabling Directors to develop an up to date understanding of the views of the Company's major investors.

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

For more information visit
www.urbanandcivic.com

Key investor activities during the year to 30 September 2016:

- Presentation of the annual results for the year ended 30 September 2015 and the interim results for the six months ended 31 March 2016.
- Programme of meetings between the Chairman and Chief Executive and the Group's largest shareholders, analysts and potential shareholders.
- Annual General Meeting held in February 2016.
- Property tours for investors and analysts.
- Introduction of a dividend reinvestment scheme following approval by shareholders at the 2016 Annual General Meeting.

Constructive use of general meetings

In compliance with the Code, the Company will give shareholders at least 20 working days' notice of an annual general meeting. Details of the resolutions to be proposed at the 2017 AGM can be found in the notice of meeting circulated with this Annual Report. The 2017 AGM will be held on 15 February 2017 at 10.00 a.m. at the Savile Club, 69 Brook Street, London W1K 4ER. Details of the number of proxy votes for, against and withheld on each resolution will be disclosed at the meeting and will be posted on the website after the meeting.

The Company's annual general meetings provide an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. All Directors will attend the 2017 AGM and welcome the opportunity to meet shareholders.

Annual Report and Accounts

The Board has considered the Group's Annual Report and Accounts for the year ended 30 September 2016 and, taking account of the recommendations of the Audit Committee, is satisfied that, taken as a whole, it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

Heather Williams

Heather Williams
Company Secretary
1 December 2016

N

Alan Dickinson
Non-Executive Chairman

Appointed to the Board
22 May 2014

Appointed as Chairman
24 March 2016

Independent
Yes, on appointment as Chairman

Experience
Alan has spent more than 45 years in banking, originally joining the Royal Bank of Scotland in 1973, having started his career with Westminster Bank in 1968. A former chief executive of RBS UK, he is an experienced retail and corporate banker with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants.

External appointments
Alan is a non-executive director of Lloyds Banking Group and Willis Limited, a governor of the charity Motability and honorary treasurer of Surrey County Cricket Club.

Nigel Hugill
Chief Executive

Appointed to the Board
22 May 2014

Key responsibilities[1]
Nigel is responsible for the development and achievement of Group objectives and strategy, as approved by the Board. He ensures effective communication with investors and other stakeholders.

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

External appointments
Nigel is chairman of the Royal Shakespeare Company and the respected urban think tank Centre for Cities as well as chairing the Estates Strategy Committee of the London School of Economics.

Robin Butler
Managing Director

Appointed to the Board
22 May 2014

Key responsibilities[1]
Robin has overall responsibility for the operational performance of the Group's business and for the overall management of the regional offices.

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

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

David Wood
Group Finance Director

Appointed to the Board
1 July 2016

Key responsibilities[1]
David is responsible for financial strategy, treasury, management and statutory reporting and tax.

Experience
David joined Urban&Civic in April 2010, having previously held senior finance positions at Minerva plc, Multiplex Developments and Chelsfield plc. Having qualified as a chartered accountant with Deloitte & Touche, David has over 19 years of experience in the real estate sector.

External appointments
None.

A N R

Ian Barlow
Non-Executive Director

Appointed to the Board
1 September 2016

Independent
Yes

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

External appointments
Ian is a non-executive director of Smith & Nephew plc, The Brunner Investment Trust plc and Foxtons Group plc and is the lead non-executive of HM Revenue & Customs.

A N

June Barnes
Non-Executive Director

Appointed to the Board
22 May 2014

Independent
Yes

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

External appointments
June is a trustee of the Building Research Establishment and a member of the Jersey Architecture Commission.

A N R

Robert Dyson
Non-Executive Director

Appointed to the Board
5 March 2007[2]

Independent
Yes

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

External appointments
None.

A N R

Duncan Hunter
Senior Independent Non-Executive Director

Appointed to the Board
22 May 2014

Independent
Yes

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

External appointments
Duncan is executive chairman of EQL Capital.

N R

Mark Tagliaferri
Non-Executive Director

Appointed to the Board
22 May 2014

Independent
No

Experience
Mark heads the London office of GI Partners, a leading alternative investment management firm with $12 billion in capital commitments from institutional investors around the world. Prior to joining GI, Mark spent six years with Nomura Principal Finance Group which became Terra Firma Capital Partners where he served as a senior partner. Previously, he was founder and chief executive of Dawnay Day Corporate Finance, a corporate finance advisory business that was ranked in the top five UK mergers and acquisition boutiques during his tenure. His early career was with Deloitte & Touche, where he finished as head of its London M&A Advisory Practice.

External appointments
Mark is managing partner of GI Partners.

Heather Williams
Company Secretary

Appointed
26 August 2015

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

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

A Audit Committee N Nomination Committee R Remuneration Committee ◯ Chairman

1. The roles and responsibilities of the Executive Directors are discussed in more detail in the corporate governance report on pages 78 to 85.
2. Robert Dyson was appointed to the Board of Terrace Hill Group plc on 5 March 2007 but his appointment to Urban&Civic plc is deemed to have commenced on 22 May 2014, being the date of admission of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange.

Audit Committee

COMMITTEE CHAIRMAN
Ian Barlow

OTHER MEMBERS

June Barnes

Robert Dyson

Duncan Hunter

Dear Shareholder,
I am pleased to present the report of the Audit Committee for the financial year ended 30 September 2016, my first report as chairman. I was appointed as chairman of the Committee on my appointment to the Board on 1 September 2016 succeeding Duncan Hunter, who continues to act as a member of the Committee. I bring significant financial experience to the Board as a chartered accountant with a long career in finance and accounting. I was senior partner (London) at KPMG until 2008 and I am chairman of the audit committees of three other listed companies. Duncan Hunter's career has been spent in the corporate sector as a managing director of finance at a leading investment bank. As a result, the Board is satisfied that two members of the Committee have recent and relevant experience, thus complying with the UK Corporate Governance Code (the 'Code').

The following report sets out the meetings and membership structure of the Committee and details the main activities of the Committee. The Committee's key responsibilities are to review and report to the Board on financial reporting, internal controls and risk management, governance and compliance and to supervise the relationship with the external auditor, including their performance and effectiveness and the audit process.

During the year under review there were two areas of focus: developing our approach to the management and reporting of risk and the appointment of Grant Thornton to provide internal audit services. We expect these two areas to continue to be areas of particular focus in 2017.

Membership

The membership of the Committee and attendance at the meetings held during the year ended 30 September 2016 are shown below:

		Independent	Number of meetings attended	Number of possible meetings[1]
Ian Barlow[2]	Chairman	Yes	1	1
June Barnes	Member	Yes	4	5
Robert Dyson	Member	Yes	5	5
Duncan Hunter	Member	Yes	5	5
Alan Dickinson[3]	Previous member	Yes	4	4

1. Number of meetings the member was eligible to attend.
2. Appointed on 1 September 2016.
3. Resigned as a member of the Committee following his appointment as Chairman.

Meetings are aligned to the Group's financial and regulatory reporting timetable. An annual rolling agenda ensures that the Committee covers all matters required under corporate governance and its terms of reference. The latter can be found on the Company's website at www.urbanandcivic.com.

The Chief Executive, Finance Director and Company Secretary attend all meetings of the Committee. The Chairman and the Group's external auditor are invited to attend all meetings. Other Executive Directors and senior members of the finance team attend as needed by invitation. The chairman of the Committee reports to the Board on the matters discussed at each Committee meeting. The Committee meets with the auditor without management being present twice a year and also holds meetings with the Group's external valuer, CBRE, in the absence of management. In addition to the scheduled Committee meetings, members of the Committee spend time with executive management to ensure a good understanding of the key issues to be considered by the Committee.

Further details on the Committee members are set out on pages 86 to 87.

Audit Committee continued

Main activities
The Committee's work covers four main areas and, during the year ended 30 September 2016, the Audit Committee has:

Financial reporting

- reviewed the audited financial statements and preliminary announcement of the Group for the year ended 30 September 2015, including consideration of key accounting issues and areas of significant judgement. The Committee reviewed and discussed with the auditor the audit findings on the Group accounts for the year ended 30 September 2015. The Committee recommended the approval of the financial statements to the Board;
- reviewed the Group's interim financial statements and announcement of results for the six months to 31 March 2016 and recommended their approval to the Board;
- reviewed the Audit Planning Report prepared by the external auditor in respect of the financial year ended 30 September 2016, confirming materiality thresholds, and agreed the key areas for consideration by the auditor as part of the audit; and
- considered and agreed with the auditor the key accounting treatments and significant accounting judgements in respect of the Group's accounts for the year ended 30 September 2016 (as described on page 91), including:
  - the valuation of investment and carrying value of trading properties; and
  - revenue and profit recognition policies.

Internal controls and risk management

- approved the key stages in the Group's risk management process as follows:
  - management to determine and communicate risk appetite;
  - identify, describe and evaluate risks – strategic risk level;
  - identify, describe and evaluate risks – project level; and
  - management to review and report on existing risk strategy and controls (to the Audit Committee and the Board);
- reviewed risk reporting and, as a result, introduced more regular and formal reviews of the key risks facing the Group and the related risk mitigation. Management provides an updated risk matrix at each meeting for review by the Committee. The matrix provides details of key risks and the impact of controls. The Committee reviews the likelihood, impact and mitigation of risks and approves the resulting risk rating. Further details of the key risks facing the Group are contained in the risk review on pages 32 to 35; and
- reviewed the arrangements in place to ensure the effective management of internal financial and non-financial controls and after further consideration agreed the need for an internal audit review. After a competitive process Grant Thornton have been appointed to carry out an internal audit service. A programme of work will be agreed and will commence in 2017.

Governance and compliance

- reviewed the Group's Gifts and Hospitality policy and the procedures by which declarations are made by staff relating to any gifts or hospitality given or received. As a result, the Committee recommended that an updated policy be approved by the Board. The Committee reviews all declarations above an agreed threshold on a six-monthly basis;
- discussed the impact of the Market Abuse Regulations and approved revisions to Group policies and procedures, including the Share Dealing Code, where required. The Committee concluded that the Group is in compliance with the new regulations;
- reviewed the FRC Guidance on Audit Committees, published in April 2016. The Committee is satisfied that it complies with the recommendations; and
- reviewed the performance evaluation of the Committee. During the year, the Board carried out a performance evaluation process for the Board as a whole and its committees. This took place by means of a written questionnaire and the conclusion was that the Board and Committee structure works effectively.

External auditor

- reviewed the FRC's assessment of the audit work carried out by the external auditor for the year ended 30 September 2015 and discussed this review with the auditor. The Committee is satisfied that the auditor's work on the Group takes full account of the FRC's findings where relevant;
- approved the terms of engagement and the fees of the auditor for work related to the review of the interim results for the six months to 31 March 2016, for the audit for the year ended 30 September 2016 and for all non-audit work. Audit and non-audit fees are disclosed in note 3 to the accounts on page 132;
- approved the Group policy for the agreement and authorisation of non-audit services by the auditor and for the approval of fees relating to these services and recommended this policy to the Board for adoption. The policy permits certain non-audit services to be carried out by the auditor, subject to prior approval by the Audit Committee chairman or, for fees above a specified threshold, by the Audit Committee. Certain non-audit services are prohibited, as set out in the policy which can be found on our website. The Committee reviews the non-audit fees paid to the auditor at each meeting and is satisfied that these are within the policy and do not compromise their independence and objectivity; and
- oversaw the rotation of the audit partner in compliance with best practice guidelines and requirements.

Financial year ended 30 September 2016

The Committee is satisfied with the accuracy and consistency of information included in the Annual Report and Accounts for the year ended 30 September 2016 and that they are fair, balanced and understandable. The Committee has reviewed the assumptions upon which the going concern principle has been adopted for the preparation of the financial statements and the viability statement which is set out on page 35 and approved that statement.

Financial reporting and significant judgements

The significant areas of judgement considered by the Committee and assessed with the external auditor in relation to the year ended 30 September 2016 were as follows:

i) Valuation of investment properties and carrying value of trading properties:

The valuation of the Group's property interests are important for determining the fair value of investment properties and for assessing the carrying value of trading properties which are held at the lower of cost and net realisable value. They also inform the calculations of EPRA NAV. The total EPRA value of all the Group's property interests was £407.6 million at 30 September 2016, reflecting investment properties, trading properties and the Group's share of properties held by joint ventures and associates. Of the Group's property interests 86 per cent has been independently valued by CBRE Limited, 5 per cent independently valued by Jones Lang LaSalle Limited and the balance of 9 per cent valued by the Directors.

Property valuations are inherently subjective and require significant judgement. Members of the Committee met with the external valuers, without management present, to discuss the half year and year-end valuations and to assess the integrity of the valuation process and discuss the year-end valuations on a property by property basis. The key judgements and assumptions applied to individual valuations were considered and discussed as well as the valuation movement in the year. The largest assets that were valued, Alconbury, Rugby and Newark, utilised a discounted cash flow model reflecting the scale of the assets and the length of time over which the assets will be realised. The Committee considered the key inputs to the discounted cash flow model, namely the quantum and timing of significant cash outflows, land prices and forecast house price and cost inflation, the assumed profit required by housebuilders, and the applied discount rate, and concluded that the assumptions applied to the valuations were appropriate.

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

ii) Revenue and profit recognition on house sales:

The Committee considered the revenue and profit recognition on the first house sale at Alconbury. Although the amount of profit recognised for the year ended 30 September 2016 is not significant, profits from house sales are expected to be material in future periods. The Committee reviewed the method of profit recognition, including allocation of site-wide infrastructuring costs to disposals, and concluded it was appropriate.

Assessment of the effectiveness and independence of the external auditor

BDO LLP has been the auditor to the Urban&Civic Group since its Listing in May 2014 and was previously auditor to the Terrace Hill group. The Committee reviewed the requirements relating to the tender of auditors. The date of appointment is deemed to be May 2014 and therefore a competitive tender will be required by 2024. Audit engagement partners are required to rotate every five years as a result of which Edward Goodworth became our new audit partner for the audit for the year ended 30 September 2016. The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

The Audit Committee has reviewed the effectiveness of the auditor taking into account their independence, objectivity, expertise and resources. The Audit Committee also considered the fulfilment of the audit plan and the degree to which BDO LLP was able to assess key accounting and audit judgements and the content of the audit clearance report issued by them. This was carried out through both informal and formal meetings with the external auditor. The Audit Committee concluded that both the audit and audit process were effective.

The Committee agrees that BDO LLP remain effective in their role as external auditor and recommends to the Board that they be reappointed as external auditor for a further year. A resolution to this effect will be proposed at the Annual General Meeting to be held on 15 February 2017.

2017 priorities

Outside of financial reporting related to the half year and year-end processes, the Committee's key focus for the 2017 financial year will be the ongoing assessment of risk management and the review of the internal controls reporting to be carried out by Grant Thornton.

Risk management

The Committee has previously agreed that, due to the size and structure of the Group, it does not recommend the appointment of a separate risk committee. The Audit Committee, however, reviews and approves the risk management framework and processes by which the Board, which has ultimate responsibility for risk, carries out those duties. A report on risk management is set out on pages 32 to 35.

Internal controls

Following an assessment of the Group's internal controls structure, the Committee oversaw the appointment process for Grant Thornton to enhance assurance over the control environment. An initial programme of audits has been agreed for the first year. This will cover the Group's risk management processes, the management of development and construction at project level and the procure to pay processes. The Audit Committee will oversee this process and Grant Thornton will report directly to the Committee on both the audit findings and any recommendations. A report on this process will be contained in next year's Audit Committee report.

Ian Barlow
Chairman of the Audit Committee
1 December 2016

Nomination Committee

COMMITTEE CHAIRMAN
Alan Dickinson

OTHER MEMBERS

Ian Barlow

June Barnes

Robert Dyson

Duncan Hunter

Mark Tagliaferri

Dear Shareholder,
I am pleased to present the report of the Nomination Committee for the year ended 30 September 2016. During the year the Committee's main focus of activity was the reorganisation of the Board, including the appointment of a new independent Non-Executive Director, Ian Barlow. The Committee met on six occasions during the year, with five scheduled meetings and one unscheduled meeting. A summary of the main activities of the Committee during the year, including a description of the appointment process for Ian Barlow, is found in this report.

Membership
The membership of the Committee and attendance at the scheduled meetings held during the year ended 30 September 2016 are shown below:

		Independent	Number of meetings attended	Number of possible meetings[1]
Alan Dickinson	Chairman	Yes[2]	5	5
Ian Barlow[3]	Member	Yes	1	1
June Barnes	Member	Yes	5	5
Robert Dyson	Member	Yes	5	5
Duncan Hunter	Member	Yes	5	5
Mark Tagliaferri	Member	No	5	5

1. Number of meetings the member was eligible to attend.
2. On appointment as Chairman.
3. Appointed on 1 September 2016.

The composition of the Committee complies with Provision B.2.1 of the UK Corporate Governance Code (the 'Code').

The Company Secretary, who attends all meetings, is secretary to the Nomination Committee and provides advice and support as required. Other Executive Directors attend the Committee meetings by invitation only.

Nomination Committee continued

Role and responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee are:

- to review regularly the composition of the Board;
- to give adequate consideration to succession planning;
- to recommend new appointments to the Board;
- to review the diversity policy of the Group; and
- to review the Board evaluation process.

The agendas and papers of the Committee meetings are established to ensure that the Nomination Committee fulfils its responsibilities in accordance with its terms of reference, which can be found on the Company's website at www.urbanandcivic.com.

Main activities

Details of the main activities of the Committee during the year are as follows:

Composition of the Board

In 2016, the Nomination Committee reviewed the composition of the Board and, mindful of the Company's non-compliance with the Code requirements, made recommendations to the Board that were subsequently adopted. On 24 March 2016, I was appointed as Chairman in place of Nigel Hugill, who is now Chief Executive. Nigel was previously Executive Chairman and the separation of roles of the Chairman and Chief Executive has resulted in compliance with Provision A.2.1 of the Code. The division of responsibilities between the two roles has been established in writing and approved by the Board and further details are contained in the corporate governance report on pages 78 to 85.

Following my appointment as Chairman, I stepped down as Senior Independent Director, to be succeeded by Duncan Hunter. I also resigned as a member of the Audit Committee, in accordance with governance guidelines.

Other changes to the Board were the resignation of Philip Leech as Property Director on 24 March 2016 and of Robert Adair as Non-Executive Director on 20 April 2016. Philip has remained with the Group in an executive management role. On 1 July 2016, Jon Austen resigned as Group Finance Director to be succeeded by David Wood, who has been with the Group since 2010.

Ian Barlow was appointed to the Board on 1 September 2016 and has been appointed as a member of the Nomination and Remuneration Committees and as Chairman of the Audit Committee, replacing Duncan Hunter who continues to act as a member of the Audit Committee. The process by which the Nomination Committee considered the candidates for the appointment is explained in this report.

Further to these changes, the Nomination Committee now considers that the newly aligned Board (of three Executive and six Non-Executive Directors) and the membership of the Board committees is well balanced in terms of skills, effectiveness, experience and independence. I was considered to be independent on my appointment as Chairman and, of the five other Non-Executive Directors, four are considered to be independent.

Succession planning

The Nomination Committee regularly discusses issues relating to succession plans for Directors and senior management and the input of the Chief Executive in this process is key. In reviewing succession planning for both Executive and Non-Executive Directors, the Committee considers the leadership needs of the Company and the balance of the Board.

During the year, the Committee undertook a detailed review of the Group's senior management structure together with likely scenarios and options in the event that a replacement of any of these executives were to be required. The Group's policy is to actively encourage executive management in their development and in the broadening of their experience and to seek to maintain their loyalty, which is demonstrated by the low staff turnover at management level. The Committee will continue to regularly review succession planning for the Board and senior management.

As part of ongoing succession planning discussions, the Committee gives due consideration to corporate governance guidelines on the length of service of Non-Executive Directors and is mindful of the fact that the appointment date of five of the six Non-Executive Directors is deemed to be 22 May 2014, being the date of admission of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange. A phased refreshment of the Board will therefore be considered over time.

Appointment process

Appointments to the Board are made on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee leads the process for recognising the need for Board appointments, for the identification of candidates and for the recommendation to the Board for their subsequent appointment. The Board supports the Davies Report recommendations to promote greater female Board representation and gives this full consideration when proposing new appointments to the Board, while remaining of the view that the overriding policy is that selection should be based on the best person for the role based on merit, skills and experience. The Nomination Committee has previously decided that it would not impose a quota relating to gender balance at Board level but seeks to achieve a diverse working environment when considering the appointment of any new Directors.

In considering the Non-Executive appointment made this year, the Nomination Committee appointed an executive search consultant, The Zygos Partnership ('Zygos'). Zygos has adopted an industry standard voluntary code of conduct addressing gender and ethnic diversity. Zygos has no other connections to the Company.

Zygos identified a number of suitable candidates, both men and women, with a range of backgrounds and experience and shortlisted five for consideration by the Nomination Committee. Each of these candidates was interviewed by me and/or Duncan Hunter. We considered each candidate's skills, experience and background and our recommended candidate was then invited to meet the other Directors. Following this meeting, the Nomination Committee recommended to the Board that Ian Barlow be appointed as a Non-Executive Director and Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees.

On appointment, a formal letter of appointment was issued containing details of the terms of the appointment, including the time commitment of the role. All new Directors are also asked to declare any interests which may constitute a conflict or a potential conflict of interest. Details of these are included on the Company's register of conflicts, which is maintained by the Company Secretary.

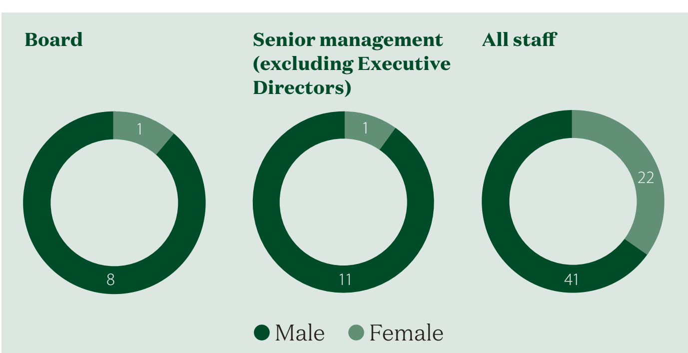
The Company Secretary organised a comprehensive induction programme for Ian Barlow. This included:

- one-to-one meetings with all Directors and executive management;
- meetings with the Company's auditor and with CBRE, the Company's external valuer;
- information on the Group's policies and procedures;
- guidance on Board procedures such as annual timetables of Board and committee agenda items and Board papers;
- governance information including compliance with the UK Corporate Governance Code and terms of reference of the Board committees; and
- visits to our key strategic sites.

Diversity

The Company is committed to a culture that promotes diversity, including gender diversity, and to achieving a working environment which provides equality of opportunity. The Board and senior management seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Employees are expected to act in accordance with the Group's diversity policy.

Gender diversity of the Board, senior management and the Group as at 30 September 2016 is shown below:



Board evaluation

During the year under review, the Board carried out an evaluation of its own performance and that of its committees. Each Director completed a written questionnaire which included both direct questions and scope for comment on the Board and committee structure, skills, processes and performance. The evaluation procedure highlighted areas meriting attention which were discussed by the Board and resulted in changes to Board procedures where appropriate. I led the process in my capacity as Senior Independent Director, the role I held at the time.

Independent Audit have recently been appointed to carry out an externally facilitated review of Board and committee effectiveness. This will take the form of a review of Board processes and Board agendas and papers, followed by individual interviews with each of the Directors and the Company Secretary. Independent Audit will compile a detailed report which will include a review of the Board, committees, Chairman, Senior Independent Director, committee chairmen and Company Secretary. They will present this report to the Board and facilitate a discussion about the recommendations. This review is expected to take place in early 2017 and I will report back further on this process in next year's Annual Report.

Independent Audit has no connection or previous relationship with the Company.

Directors standing for election/re-election

The Board believes that the requirements of Code Provision B.7.1 of the UK Corporate Governance Code should be fulfilled, notwithstanding that the Company is not in the FTSE 350. This provision requires all Directors of such companies to be subject to annual election by shareholders and the Board has chosen to comply with this provision as it supports the view that shareholders should have the right to vote on each Director's re-election to the Board on an annual basis. The Board has considered the proposed reappointment of Directors at the Annual General Meeting to be held on 15 February 2017, at which the following resolutions relating to the appointment of Directors will be proposed:

- the re-election of Alan Dickinson as Chairman;
- the re-election of Nigel Hugill, Robin Butler and the election of David Wood as Executive Directors; and
- the election of Ian Barlow and the re-election of June Barnes, Robert Dyson, Duncan Hunter and Mark Tagliaferri as Non-Executive Directors.

Further biographical information on all Directors can be found on pages 86 to 87.

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

Alan Dickinson
Chairman of the Nomination Committee
1 December 2016

Directors' remuneration report

COMMITTEE CHAIRMAN
Robert Dyson

OTHER MEMBERS

Ian Barlow

Duncan Hunter

Mark Tagliaferri

Chairman's introduction

Dear Shareholder,
I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2016. The report for 2016 has been split into three sections, as follows:

- this introduction, which sets out the membership of the Committee and summarises and explains the major decisions taken by the Committee on Directors' remuneration in the financial year ended 30 September 2016;
- the Directors' remuneration policy report which sets out the basis of remuneration for the Group's Directors following shareholder approval at the 2015 Annual General Meeting; and
- the annual report on remuneration, which sets out the remuneration earned by the Group's Directors in the year ended 30 September 2016 together with how the policy will be implemented in the financial year ending 30 September 2017.

Membership
The membership of the Committee and attendance at the meetings held during the year ended 30 September 2016 are shown below:

		Independent	Number of meetings attended	Number of possible meetings[1]
Robert Dyson	Chairman	Yes	5	5
Ian Barlow[2]	Member	Yes	—	—
Duncan Hunter	Member	Yes	5	5
Mark Tagliaferri	Member	No	4	5

1. Number of meetings the member was eligible to attend.
2. Appointed on 1 September 2016.

The composition of the Committee complies with Provision D.2.1 of the UK Corporate Governance Code (the 'Code').

The Company Secretary is secretary to the Remuneration Committee and attends all meetings. Other Directors attend the Committee meetings by invitation only.

Chairman's introduction continued

Main activities during the year

Review of the remuneration policy

The Directors' remuneration policy (as set out on pages 99 to 102) was approved by shareholders for three years at the Annual General Meeting held in February 2015. The Committee reviewed the current policy during the year and will not be recommending any changes for approval by shareholders at the Annual General Meeting to be held on 15 February 2017 ('2017 AGM').

The annual report on remuneration (on pages 103 to 110) will be subject to an advisory shareholder vote at the 2017 AGM.

Performance and reward in the year to 30 September 2016

The Group has reported a total comprehensive income for the year of £20.8 million, IFRS net assets of £366.3 million and EPRA net assets of £409.8 million at 30 September 2016, 5.3 per cent and 5.1 per cent higher compared against the same respective net asset valuations at 30 September 2015. Reflecting performance against EPRA net asset growth targets and the individual performance of the Executive Directors against their personal objectives, annual bonus awards for the Executive Directors for the year ended 30 September 2016 ranged from 48.5 per cent to 53.75 per cent of salary (out of a possible 175 per cent) with 50 per cent of these amounts deferred into Urban&Civic shares for two years.

No Performance Share Plan (PSP) awards are due to vest based on performance up to 30 September 2016.

EPRA NAV and personal objectives

The Committee approved the EPRA NAV target and personal objectives for the Executive Directors for the year ended 30 September 2016. The Committee agreed that the EPRA NAV target should be set at a stretched level and that personal objectives should focus on the strategic priorities within the business with the aim of incentivising the executives to maximise performance. The EPRA NAV target and personal objectives are more fully set out in the annual report on remuneration on pages 103 to 110.

Change of Directors

During the year, David Wood was appointed as Group Finance Director and the Committee approved the terms of his appointment and of his employment contract with the Company. The Committee also reviewed and approved the settlement terms for Jon Austen on his resignation from the Board and the Group on 1 July 2016. In addition, Robert Adair and Philip Leech resigned as Directors during the year. Further information regarding the treatment of their remuneration on departure is set out in the annual report on remuneration.

Ian Barlow was appointed as a Non-Executive Director on 1 September 2016. The terms of his appointment were approved by the Board.

The year ahead

No changes to the policy will be made for the year ending 30 September 2017. Base salaries and benefit provisions will remain unchanged, pension provision will continue to be set at 15 per cent of salary and incentive pay will be capped at 175 per cent of base salary in respect of the annual bonus (with 50 per cent of the bonus deferred into shares for two years) and 200 per cent of salary in respect of long-term incentives.

The Committee intends to grant awards under the 2016 PSP within six weeks of the announcement of the year-end results. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will continue to be based on EPRA NAV and relative TSR conditions.

In addition, Executive Directors are required to build and then hold 200 per cent of their base salary in the Company's shares and a two year post-vesting holding period of awards made under the PSP will continue to apply.

The Committee unanimously recommends that shareholders vote to approve the annual report on remuneration at the 2017 AGM.

Robert Dyson
Chairman of the Remuneration Committee
1 December 2016

Directors' remuneration policy report

Introduction and overview

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

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

Consideration of shareholder views

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

Consideration of employment conditions elsewhere in the Group

The Group employs around 60 people and the Committee considers the general base salary increase for all employees when determining the annual salary increases for the Executive Directors and considers quantum and the structure of pay across the Group more generally when reviewing the Executive Director remuneration policy.

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

Summary of remuneration policy

The Directors' remuneration policy was approved by shareholders at the 2015 AGM. The policy set out below is the same as that approved by shareholders, but the illustrative scenario charts have been updated to reflect changes in personnel and current remuneration packages.

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

Directors' remuneration policy report continued

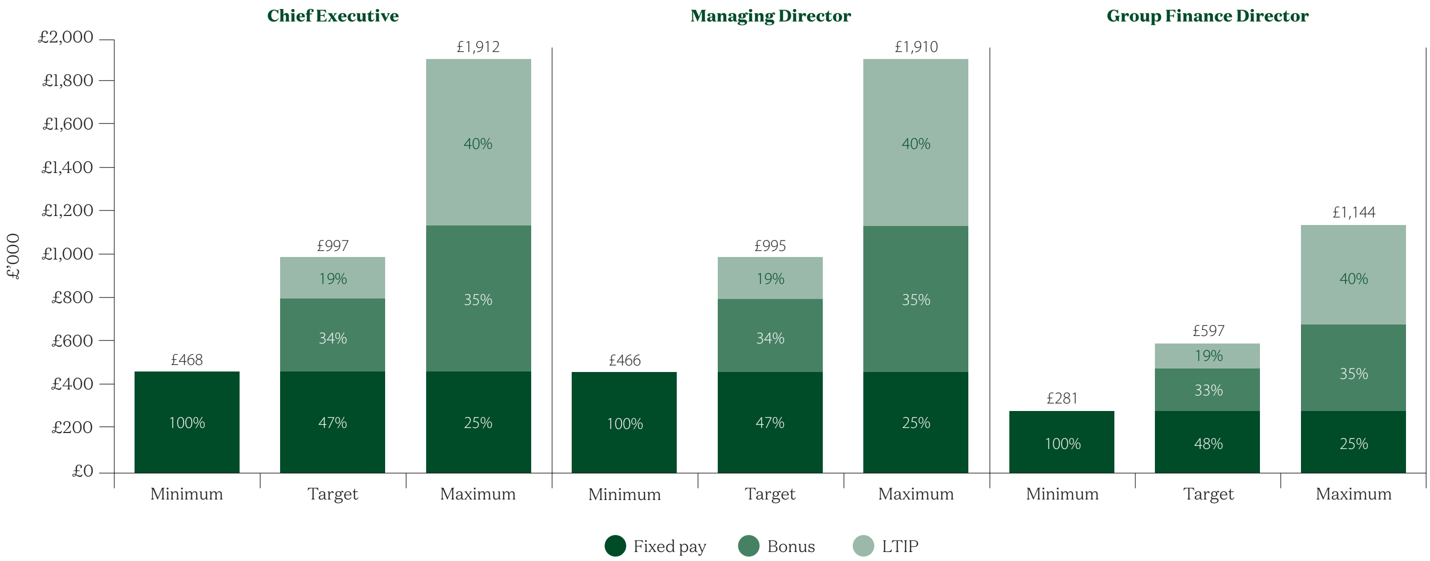
Summary of remuneration policy continued

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Annual bonus	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. 50 per cent of any bonus is deferred into shares which vest over a two year period.	Up to 175 per cent of base salary.	Performance period: normally one year. The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets. Clawback provision operates.
Long-term incentives – Performance Share Plan (PSP)	To drive and reward the long-term performance of the Group and to align the interests of management with those of shareholders.	Awards granted under the PSP have the following features: • conditional awards or nil/nominal cost options; • vesting is dependent on the satisfaction of performance targets and continued service; and • awards are subject to a two year holding period.	200 per cent of salary. (Up to 300 per cent of salary in exceptional circumstances.)	Performance period: normally three years. Up to 25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance. Performance will be measured against TSR and/or relevant financial measures. Clawback provision operates.
Share ownership guidelines	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding requirement.	Minimum of 200 per cent of salary.	Not applicable.
Non-Executive Directors	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	Cash fee normally paid on a monthly basis. Non-Executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates. Taxable benefits may be provided where appropriate including the reimbursement of expenses.	There is no prescribed maximum individual fee or fee increase. The Board (excluding Non-Executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements. Current fee levels are set out in the annual report on remuneration.	Not applicable.

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

Reward scenarios

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



Notes:

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

Approach to recruitment and promotions

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

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

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

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

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

Directors' remuneration policy report continued

Service contracts for Executive Directors

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

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

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

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

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

Non-Executive Directors

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

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

Annual report on remuneration

How the remuneration policy was implemented in the year ended 30 September 2016

Directors' remuneration

The details set out on pages 103 to 110 of this report are subject to audit.

	Basic salary/fees[1]		Benefits[2]		Bonus[3]		Long-term incentives[4]		Other[5]		Pension[6]		Total	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000	**2016 £'000**	2015 £'000
Executive Directors														
Nigel Hugill	**385**	385	**25**	25	**207**	193	**—**	—	**—**	—	**58**	58	**675**	661
Robin Butler[7]	**385**	385	**23**	23	**207**	193	**—**	—	**—**	—	**58**	58	**673**	659
David Wood[8]	**58**	—	**4**	—	**29**	—	**—**	—	**—**	—	**9**	—	**100**	—
Philip Leech[9]	**163**	325	**7**	15	**56**	98	**—**	275	**—**	—	**24**	49	**250**	762
Jon Austen[10]	**203**	270	**13**	16	**—**	81	**—**	233	**188**	—	**30**	41	**434**	641
Non-Executive Directors														
Ian Barlow[11]	**5**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**5**	—
Robert Adair[12, 13]	**22**	58	**—**	—	**—**	—	**—**	—	**8**	—	**—**	—	**30**	58
June Barnes	**40**	40	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**40**	40
Alan Dickinson[14]	**92**	55	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**92**	55
Robert Dyson	**46**	46	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**46**	46
Duncan Hunter	**55**	55	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**55**	55
Mark Tagliaferri[15]	**40**	40	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**40**	40

1. Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
2. Includes a fully expensed company car or cash alternative and private medical insurance.
3. Further information on the determination of annual bonus payments is set out in the information following this table.
4. No PSP awards were due to vest in 2016.
5. Further details are included in the Board changes/payments for loss of office section on page 105.
6. Pension payments are made as a cash supplement to the Directors or directly to a pension scheme.
7. As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2016, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2015: £20,000).
8. Appointed as a Director on 1 July 2016. Total remuneration stated is in accordance with the Directors' remuneration policy in relation to the period from 1 July 2016 to 30 September 2016. In addition the Company paid David Wood (as an employee) a bonus of £61,200 in relation to the period 1 October 2015 to 30 June 2016.
9. Resigned as a Director on 24 March 2016. Total remuneration stated is in accordance with the Directors' remuneration policy in relation to the period from 30 September 2015 to 24 March 2016. In addition the Company paid Philip Leech (as an employee) a bonus of £10,000 in relation to the period 25 March 2016 to 30 September 2016.
10. Resigned as a Director on 1 July 2016. Total remuneration is in relation to the period from 1 October 2015 to 30 June 2016.
11. Appointed as a Director on 1 September 2016.
12. Resigned as a Director on 20 April 2016. Total remuneration is in relation to the period from 1 October 2015 to 30 June 2016 and comprises two parts: i) fees of £22,000 relating to the period prior to his resignation; and ii) £8,000 relating to his contractual notice period.
13. During the year ended 30 September 2015 the Company paid Robert Adair £20,000 for services which were outside the normal duties of a Non-Executive Director, in accordance with his letter of appointment.
14. Appointed as Chairman on 24 March 2016. Director's fee increased to £125,000 p.a. on that date.
15. Mark Tagliaferri's annual fee is payable to GI Group.

Annual report on remuneration continued

Determination of the annual bonus for the year ended 30 September 2016

The annual bonus for the year ended 30 September 2016 was capped at 175 per cent of salary, with 70 per cent (up to 122.5 per cent of salary) based on growth in EPRA NAV and 30 per cent (up to 52.5 per cent of salary) based on personal objectives.

EPRA NAV at 30 September 2016 was £409.8 million. This resulted in 6.5 per cent of base salary (out of a possible 122.5 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2016, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£409.0m	6.5 per cent of base salary
Target	£459.0m	61.25 per cent of base salary
Maximum	£490.0m	122.5 per cent of base salary

Personal objectives for the year ending September 2016 were set to measure the individual performance of Executive Directors relative to:

- the advancement of projects within the existing portfolio;
- ensuring ongoing pipeline supply of future projects to the core business;
- delivery of maximised returns to shareholders and stakeholders;
- identification and procurement of asset appropriate funding sources;
- increasing analyst coverage and broadening the Group's shareholder base;
- ensuring all financial reporting and risk management requirements are satisfied;
- enhancement of our corporate reputation throughout the public and private sectors;
- continuing development of strong and meaningful relationships with key stakeholders; and
- demonstrable and positive leadership across the Company and its subsidiaries.

The Committee considered the Executive Directors were making significant progress in delivering infrastructured sites across the portfolio, had specific regard to over 900 contracted housing plots and the contractual arrangements in relation to 720,000 sq.ft. of commercial accommodation across the portfolio during the year and had also delivered successfully against a number of strategic and operational goals. These are more particularly set out in the progress section of each of the key sites in the operational review.

The Committee scored the Executive Directors' individual performance based on an unweighted objective assessment of the level of attainment of each of the Executive Directors having regard to specific areas of responsibility. The Committee approved payments related to personal objectives ranging from 42.00 per cent of base salary to 47.25 per cent of base salary (out of a possible 52.50 per cent) being paid to current Executive Directors as set out in the table below.

Executive Director	Maximum amount payable	Actual amount payable
Current Directors		
Nigel Hugill	52.50 per cent of base salary	47.25 per cent payable
Robin Butler	52.50 per cent of base salary	47.25 per cent payable
David Wood[1]	52.50 per cent of base salary	42.00 per cent payable
Past Director		
Philip Leech[2]	52.50 per cent of base salary	26.25 per cent payable

1. Appointed as a Director on 1 July 2016. Maximum and actual amounts payable are in accordance with the Directors' remuneration policy in relation to the period from 1 July 2016 to 30 September 2016.
2. Resigned as a Director on 24 March 2016. Maximum and actual amounts payable are in accordance with the Directors' remuneration policy in relation to the period from 1 October 2015 to 24 March 2016.

Performance Share Plan (PSP) awards vesting in the year ended 30 September 2016

No PSP awards were due to vest in the year ended 30 September 2016.

Board changes/payments for loss of office

During the year, Philip Leech and Jon Austen resigned as Executive Directors and Robert Adair resigned as a Non-Executive Director. Information on the treatment of their remuneration is set out below.

Philip Leech resigned as a Director on 24 March 2016 but remained an employee of the Group. Philip was eligible for an annual bonus in relation to his services as a Director over the year ended 30 September 2016. However, this amount will be pro-rated for the time served as a Director and be subject to the original performance conditions. As he is a continuing employee, his share awards have not lapsed and will vest at the original vesting date subject to the original performance condition.

Robert Adair resigned as a Director as initially announced on 24 March 2016. He was paid in accordance with his contractual three month notice period.

Jon Austen resigned as a Director on 1 July 2016 and his remuneration has been treated in line with the approved Directors' remuneration policy. He has been treated as a good leaver with regard to deferred annual bonus awards and outstanding PSP awards. He will receive the following payments:

- A payment of £270,000 in lieu of base salary over the 12 month notice period. This is payable in two instalments. The first instalment was paid on finalisation of his termination arrangements whilst the second, which is subject to a reduction to the extent he finds alternative employment, will be paid in December 2016. He is not eligible for an annual bonus in the year ended 30 September 2016.
- Payment of £52,500 in lieu of the car allowance and pension to which he would have been entitled over the 12 month notice period. Other benefits will continue until no later than 31 January 2017.
- Payment of £79,875 representing his treatment as a good leaver with regard to outstanding deferred bonus awards. As allowed for by the plan rules, the Committee decided not to apply a pro-rata reduction to these awards.
- With regard to his outstanding PSP award granted on 30 September 2014, this will vest at the normal time subject to the performance condition. The number of shares vesting will be reduced by 10 per cent, which reflects a pro-rata adjustment for time up to the end of his notice period.

In addition, during the year, a new Group Finance Director was appointed and the roles of some Board members changed. Further information is set out below.

David Wood was appointed Group Finance Director on 1 July 2016. This appointment was an internal promotion and his ongoing remuneration arrangements will be in line with the Directors' remuneration policy.

Alan Dickinson was appointed Chairman, Duncan Hunter was appointed Senior Independent Director and Ian Barlow was appointed as a Non-Executive Director. All of their remuneration is in line with the Directors' remuneration policy.

Payments to past Directors

There were no payments to past Directors other than those which have already been stated in the section "payments for loss of office" above.

Performance Share Plan (PSP) awards granted in the year ended 30 September 2016 which could vest in future years

On 21 June 2016, PSP awards were granted to Executive Directors equal to 100 per cent of base salary. A smaller PSP award was also made to Philip Leech who remained an employee after resigning as a Director. Executives not on the Board of the Company are typically eligible for PSP awards.

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

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting	Weighting (of award)	Performance condition and performance range
Nigel Hugill	161,223	£385,000	100%	30 September 2018	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]
Robin Butler	161,223	£385,000	100%	30 September 2018	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]
David Wood	144,472	£345,000	150%	30 September 2018	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]

1. EPRA net asset value performance (50 per cent weighting) must increase by more than 3.0 per cent per annum above RPI for 25 per cent vesting and must increase by more than 12.5 per cent per annum above RPI for 100 per cent vesting.
2. Total shareholder return (50 per cent weighting) must be equal to the median performance in the FTSE 350 Real Estate Index for 25 per cent vesting and be in the top quartile of the FTSE 350 Real Estate Index for 100 per cent vesting.

Annual report on remuneration continued

Implementation of the remuneration policy for the year ending 30 September 2017

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2017.

Base salary

Base salary levels have been increased by 3 per cent which is the same increase as for the base salaries of the general workforce. Base salary levels for the Executive Directors as at 1 October 2016 and 1 October 2015 are shown below:

Director	Title	2016	2015	% increase
Nigel Hugill	Chief Executive[1]	**£396,500**	£385,000	3%
Robin Butler	Managing Director	**£396,500**	£385,000	3%
David Wood[2]	Group Finance Director	**£230,000**[3]	n/a	n/a

1. Appointed Chief Executive on 24 March 2016. His previous role was Executive Chairman.
2. Appointed as a Director on 1 July 2016.
3. Increasing to £270,000 on 1 July 2017.

The next salary review date is expected to be 1 October 2017.

Pension

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

Benefits

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

Annual bonus

For the year ending 30 September 2017, the annual bonus structure will be similar to that operated in the prior year with 70 per cent of the annual bonus opportunity based on growth in EPRA NAV and 30 per cent based on personal objectives. Annual bonus targets for the year ending 30 September 2017 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2017 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses in the event that the share price diverges markedly from reported growth in EPRA NAV. 50 per cent of any bonus paid will continue to be deferred into Company shares for a period of two years.

Long-term incentives

Shareholders approved the rules of the Performance Share Plan at the 2016 AGM. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will continue to be based on EPRA NAV and relative TSR conditions and measured over the performance period from 1 October 2016 to 30 September 2019. Full details of the award levels for Executive Directors and the performance targets will be provided in the relevant Stock Exchange announcement which will be published immediately following grant.

The Remuneration Committee intends to grant awards under the 2016 PSP within six weeks of the announcement of the results for the year ended 30 September 2016.

Clawback provisions

Consistent with best practice, the Company will operate clawback provisions in respect of annual bonus and PSP awards in the year ending 30 September 2017. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

Non-Executive Directors

Non-Executive Directors' fees as at 1 October 2016 and 1 October 2015 are shown below.

	2016	2015
Alan Dickinson[1]	**£125,000**	£55,000
Ian Barlow[2]	**£55,000**	—
June Barnes	**£40,000**	£40,000
Robert Dyson	**£46,000**	£46,000
Duncan Hunter	**£55,000**	£55,000
Mark Tagliaferri	**£40,000**	£40,000

1. Appointed as Chairman on 24 March 2016.
2. Appointed as a Non-Executive Director on 1 September 2016.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2017.

Statement of Directors' shareholdings and share interests

Full details of performance share awards in the Company held by Executive Directors in office at 30 September 2016, together with details of awards granted to all Directors who held office during the year, are shown below:

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	342,222[1]	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
	161,223	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
Robin Butler	342,222[1]	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
	161,223	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
David Wood[3]	80,000	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
	144,472	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
Philip Leech[4]	213,469[2]	7 June 2013	213.8p	20.0p	1 October 2015 to 6 June 2023
	288,888[1]	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024
	71,181	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
Jon Austen[5]	180,866[2]	7 June 2013	213.8p	20.0p	1 October 2015 to 6 June 2023
	240,000[1]	30 September 2014	233.5p	20.0p	1 October 2017 to 30 September 2024

1. The 2014 awards will ordinarily vest following the third anniversary of the grant date and, other than to pay the relevant taxes, are not able to be sold for a further two year period after vesting. The awards only vest subject to continued service (other than as agreed by the Committee for good leavers) and to the extent the following performance conditions are satisfied over the period from 1 October 2014 to 30 September 2017:
   - for 50 per cent of awards: EPRA NAV must increase by greater than 3.0 per cent per annum more than RPI for 25 per cent vesting and must increase by greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, between the threshold and maximum targets; and
   - for 50 per cent of awards: Total shareholder return must be equal to the median performance in the FTSE 350 Real Estate Index for 25 per cent vesting and must be in the top quartile of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis, between the threshold and maximum targets.

   There is equal weighting attached to each of these performance conditions. To the extent that the awards vest, they will be exercisable from vesting until the tenth anniversary of grant, assuming the participant remains in the Company's employment.
2. These awards vested subject to a performance period ending on 30 September 2015. The value of Jon Austen's awards was included in the single figure amount for Jon Austen in 2015. These awards were exercised on 18 February 2016.
3. Appointed as a Director on 1 July 2016.
4. Resigned as a Director on 24 March 2016.
5. Resigned as a Director on 1 July 2016. His award granted on 30 September 2014 will vest at the normal vesting date and be subject to the original performance condition. Any vesting shares will be reduced by 10 per cent to reflect the time since grant to the end of his notice period.

Annual report on remuneration continued

Directors' shareholdings

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

	Interests in ordinary shares		Share awards subject to performance conditions[1]		
	30 September 2016[1]	30 September 2015	**30 September 2016**[1]	30 September 2015	% of salary for shareholding guideline[2]
Current Directors					
Nigel Hugill	**1,203,772**	1,198,393	**503,445**	342,222	704%
Robin Butler	**1,220,347**	1,198,393	**503,445**	342,222	713%
David Wood[3]	**91,450**	—	**224,472**	80,000	89%
Ian Barlow[4]	**43,600**	—	—	—	n/a
June Barnes	**10,000**	4,444	—	—	n/a
Alan Dickinson	**88,889**	88,889	—	—	n/a
Robert Dyson	**173,411**	173,411	—	—	n/a
Duncan Hunter	**677,456**	550,000	—	—	n/a
Mark Tagliaferri	—	—	—	—	n/a
Past Directors					
Philip Leech	**511,503**[5]	459,624	**288,888**	288,888	n/a
Jon Austen	**280,708**[6]	236,752	—	240,000	n/a
Robert Adair	**4,230,182**[7]	4,230,182	—	—	n/a

1. Details of the PSP awards of Executive Directors as at 30 September 2016 are shown in the table on page 107.
2. Based on the number of shares beneficially held, the share price at 30 September 2016 (225.0p) and the relevant base salary at 30 September 2016.
3. Appointed as a Director on 1 July 2016.
4. Appointed as a Director on 1 September 2016.
5. Holding as at 24 March 2016, the date on which Philip Leech resigned as a Director.
6. Holding as at 1 July 2016, the date on which Jon Austen resigned as a Director.
7. Holding as at 20 April 2016, the date on which Robert Adair resigned as a Director.

Directors' service contracts

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

Executive Directors

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

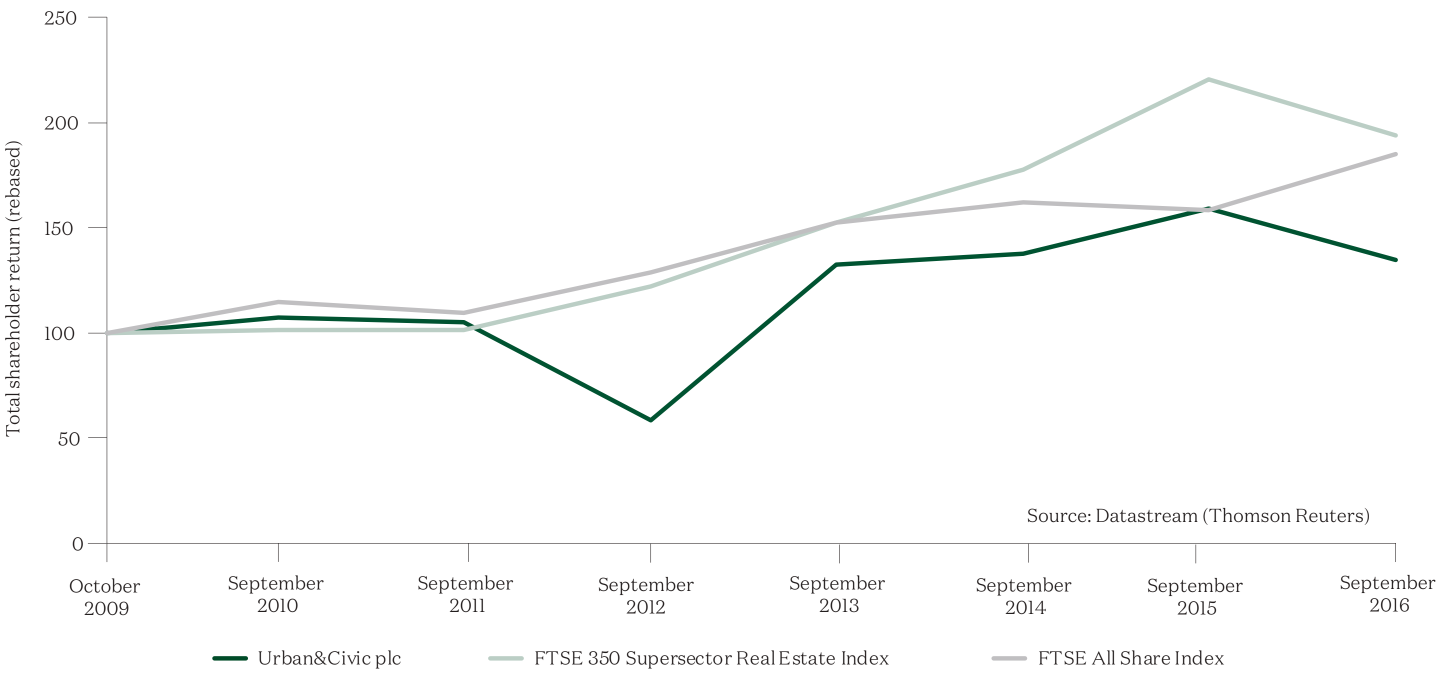
1. Contracts will continue until terminated by notice either by the Company or the Director.

Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
Robert Dyson	3 months	23 September 2015
Alan Dickinson	3 months	23 September 2015
June Barnes	3 months	23 September 2015
Duncan Hunter	3 months	23 September 2015
Mark Tagliaferri	3 months	23 September 2015

TSR performance graph and table

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



Chief Executive eight year history

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

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

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

Annual report on remuneration continued

Percentage change in remuneration of Chief Executive and employees[1]

	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000	% change
Chief Executive			
Salary	**385**	385	Nil
Benefits	**25**	25	Nil
Bonus	**207**	193	7.3
	617	603	2.3
Average employee			
Salary	**116**	109	6.4
Benefits	**7**	10	(30.0)
Bonus	**36**	30	20.0
	159	149	6.7

Relative importance of the spend on pay[1]

	Year ended 30 September 2016	Year ended 30 September 2015	% change
Staff costs (£'000)	**9,665**	6,941	39.2
Dividends paid during the year (£'000)	**3,930**	3,532	11.2
EPRA net asset value (£m)	**409.8**	389.9	5.1
Total shareholder return (per cent)	**(15.0)**	15.8	(194.9)

1. The figures for the year ended 30 September 2015 include the Urban&Civic Group for the 12 months from 1 October 2014 and of Catesby for the period from the date of acquisition of 27 February 2015 to 30 September 2015.

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

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice (currently from Aon Hewitt) where it considers appropriate. Aon Hewitt does not provide any other services to the Company and was paid £31,747 in respect of the year ended 30 September 2016.

Statement of voting at general meeting

At the 2015 Annual General Meeting, shareholders voted in favour of the resolution to approve the Directors' remuneration policy as follows:

Resolution	For the resolution[1]	%	Against the resolution	%	Votes withheld[2]
To approve the Directors' remuneration policy as set out in the report and accounts for the period to 30 September 2014	109,556,937	99.98	17,400	0.02	22,219

As at the date of the meeting there were 140,497,109 ordinary shares of 20p each in issue. Proxies amounting to 109,596,556 votes were received in respect of all resolutions.

At the 2016 Annual General Meeting, shareholders voted in favour of the resolution to approve the annual statement and annual report on remuneration as follows:

Resolution	For the resolution[1]	%	Against the resolution	%	Votes withheld[2]
To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy as set out in the report and accounts for the year to 30 September 2015	119,917,605	99.33	812,240	0.67	1,715,174

As at the date of the meeting there were 140,497,109 ordinary shares of 20p each in issue. Proxies amounting to 122,445,019 votes were received in respect of all resolutions.

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

Robert Dyson
Chairman of the Remuneration Committee
1 December 2016

Introduction

The Directors present their report together with the audited accounts for the year ended 30 September 2016. As permitted by legislation, some of the matters to be included in this report have instead been included in the following sections of the Annual Report:

Results and dividends

The Group reported a profit for the year of £20.8 million (2015: £7.0 million) as shown in the consolidated statement of comprehensive income on page 122. An interim dividend of 1.1p per share was paid on 22 July 2016 to shareholders on the register on 10 June 2016. A final dividend of 1.8p per share is recommended for approval at the 2017 AGM and, subject to shareholder approval, will be paid on 24 February 2017 to shareholders on the register on 13 January 2017. The total dividend paid during the year amounts to £3.9 million (2015: £3.5 million), of which 1.65p per share represents the 2015 final dividend and 1.1p per share represents the 2016 interim dividend.

Directors

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

	Title	Appointments/resignations during the year
Chairman		
Alan Dickinson[1]	Chairman	—
Executive Directors		
Nigel Hugill[1]	Chief Executive	—
Robin Butler	Managing Director	—
David Wood	Group Finance Director	Appointed: 1 July 2016
Non-Executive Directors		
Ian Barlow	Independent Non-Executive Director	Appointed: 1 September 2016
June Barnes	Independent Non-Executive Director	—
Robert Dyson	Independent Non-Executive Director	—
Duncan Hunter	Senior Independent Non-Executive Director	—
Mark Tagliaferri	Non-Executive Director	—
Former Directors		—
Robert Adair	Non-Executive Director	Resigned: 20 April 2016
Jon Austen	Group Finance Director	Resigned: 1 July 2016
Philip Leech	Property Director	Resigned: 24 March 2016

1. Alan Dickinson and Nigel Hugill were appointed to the Board on 22 May 2014 but were appointed as Chairman and Chief Executive respectively on 24 March 2016.

Biographical details of the Directors are contained on pages 86 to 87.

Details of the Directors' remuneration and their interests in the shares of the Company are set out in the Directors' remuneration report on pages 96 to 110.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for election or re-election at the 2017 AGM.

Directors' conflict of interest

Under the Companies Act 2006 (the 'Act'), Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. As is permissible under the Act, the Company's Articles of Association allow the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors are required to notify the Company under an established procedure as soon as they become aware of any situation that could result in a conflict or potential conflict of interest. Any conflicts or potential conflicts are noted at each Board meeting and a register of conflicts is maintained by the Company Secretary.

Directors' liability insurance and indemnity

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

Charitable and political donations

During the year to 30 September 2016, Urban&Civic donated £33,000 (2015: £31,000) to charity, including local youth, sports and social clubs, charities that help train the unemployed back into work and community environment charities. Further details are contained in the corporate social responsibility report on pages 64 to 75.

Authority was granted at the 2016 Annual General Meeting ('2016 AGM') to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2017 AGM and a resolution will be proposed for its renewal. The Group made no political donations during the year (2015: £Nil).

Change of control

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

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

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

Substantial shareholdings

As at 30 November 2016, the shareholders listed below had notified the Company of a disclosable interest of 3 per cent or more in the ordinary share capital of the Company:

	Number of ordinary shares at 30 November 2016	%
GIP U&C	40,447,293	27.93
Investec Wealth and Investment Limited	15,911,332	10.99
APG Asset Management NV	7,500,000	5.18
Morgan Stanley Investment Management Limited	7,375,977	5.09
Aberforth Partners LLP	7,194,800	4.97

Shares held in the Employee Benefit Trust

The trustees of the Urban&Civic Employee Benefit Trust hold shares in Urban&Civic in trust in order to satisfy any awards made under the Company's employee share plans. The trustees have waived their right to receive dividends on shares held in the Company.

Group structure

Details of the Group's subsidiary undertakings are set out in note 13 to the Company financial statements on pages 161 to 163.

Details of the Group's joint ventures and associates are set out in note 13 to the consolidated financial statements on pages 140 to 142.

Purchase of own shares

The Company was granted authority at the 2016 AGM to purchase its own shares up to a total aggregate value of 10 per cent of the issued nominal share capital, subject to market-standard maximum and minimum price constraints. That authority will expire at the 2017 AGM and a resolution will be proposed for its renewal. During the year the Company, via the Employee Benefit Trust, purchased 189,154 ordinary shares of 20p each at a cost of £424,663.

Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 149. As at 30 September 2016, there were 144,804,728 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2017 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

At the 2016 AGM, the Directors were given the power to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the 2017 AGM and a resolution will be proposed for its renewal.

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

Date	Description	Number of ordinary shares of 20p each
4 April 2016	Final part of the consideration for the acquisition of Catesby Property Group plc	739,107
22 July 2016	Scrip allotment	59,066

Amendment of Articles of Association

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

Annual General Meeting

The 2017 AGM of the Company will be held at the Savile Club, 69 Brook Street, London W1K 4ER at 10.00 a.m. on 15 February 2017. The special business at the 2017 AGM will include resolutions dealing with the authority to issue shares, the disapplication of pre-emption rights, the authority for the Company to purchase its own shares, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice. The notice of meeting, containing explanations of all the resolutions to be proposed at that meeting, is circulated with this Annual Report and Accounts.

Disclosures under Listing Rule 9.8.4R

Interest capitalised and tax relief	Note 5, page 135
Publication of unaudited financial information	n/a
Details of long-term incentive schemes	Note 24, pages 151–152
Waiver of emoluments by a Director	n/a
Waiver of future emoluments by a Director	n/a
Non-pre-emptive issues of equity for cash	n/a
Non-pre-emptive issues of equity for cash by major subsidiary undertakings	n/a
Parent company participation in a placing by a listed subsidiary	n/a
Contracts of significance	Note 23, page 151
Provision of services by a controlling shareholder	n/a
Shareholder waivers of dividends	Page 112
Shareholder waivers of future dividends	Page 112
Agreements with controlling shareholders	n/a

Auditor

BDO LLP is willing to be reappointed as the external auditor to the Company and Group and their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the 2017 AGM for their reappointment and to authorise the Directors to determine their remuneration.

Going concern

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

In assessing going concern, the Directors have reviewed the Group’s rolling five year cash flow forecasts, loan maturities and undrawn facilities and have run sensitivities reflecting the Group’s risk profile to ensure covenant compliance over the next 12 months. The Group’s key risks are set out on pages 34 to 35.

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

Disclosure of information to auditor

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

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

Post balance sheet events

There have been no material post balance sheet events.

The report of the Directors was approved by the Board on 1 December 2016.

By order of the Board

Heather Williams
Company Secretary
1 December 2016

Statement of Directors' responsibilities in respect of the accounts

The Directors are responsible for preparing the strategic report, the Annual Report, the Directors' remuneration report and the financial statements in accordance with applicable law and regulations.

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

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

In preparing these financial statements, the Directors are required:

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

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

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

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

Responsibility statement

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

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

The Directors' responsibilities statement was approved by the Board.

On behalf of the Board

David Wood

David Wood
Group Finance Director
1 December 2016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BIG SCREEN ENTERTAINMENT
TOM B

FINANCIAL STATEMENTS

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Feethams has added so much to the town. People who would have previously travelled to other cinemas outside the area now stay in Darlington and I really enjoy working locally for a big company like Vue.

TOM BUCHANAN
Customer assistant, Vue Cinema Feethams, Darlington

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Accounting Standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements of Urban&Civic plc for the year ended 30 September 2016 comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated and Company statements of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Respective responsibilities of Directors and auditors

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

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

Our application of materiality

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

The materiality for the Group financial statements as a whole was set at £5 million. This was determined with reference to a benchmark of Group total assets (of which it represents 1.1 per cent) which we consider to be one of the principal considerations for members of the Company in assessing the financial performance of the Group.

International Standards on Auditing (UK and Ireland) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £500,000 to apply to those classes of transactions and balances which impact on the Group's earnings before tax, excluding revaluation movements.

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

Materiality levels are unchanged from those applied in the previous year.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £50,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

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

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

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

We set out below the risks that we believe to have had the greatest impact on our audit strategy and scope. The Audit Committee's consideration of the judgements set out in this section is set out on page 91.

Valuation of investment properties and carrying value of trading properties

Risk

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

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

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

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

Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The majority of the Group's property interests are in the course of development. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete, which given the long-term nature of the Group's developments requires significant judgements. Judgements in relation to future sales values and build costs in particular are impacted by the political and economic uncertainty arising from the result of the EU referendum.

The valuation of the Group's income generating properties requires significant judgements to be made in relation to the appropriate market capitalisation yields and estimated rental values.

Response

Our audit work included, but was not restricted to, the following:

- We reviewed the design, implementation and appropriateness of the Group's controls relating to the valuation of investment and trading properties. The key controls were identified as being the appointment of independent experts to value the majority (90 per cent) of the Group's property portfolio and the process by which the Group ensures that accurate data is provided to those experts.
- We assessed the competency, qualifications, independence and objectivity of the external valuers engaged by the Group and reviewed the terms of their engagements for any unusual arrangements.
- We obtained and read the valuation reports for all properties subject to valuation and confirmed that they had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements.
- The senior members of our team met with the Group's principal external valuer, CBRE Limited, independently of management to discuss and challenge the valuation methodology and key assumptions.
- We tested the accuracy of the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate. In respect of the Group's income generating properties, this primarily involved agreeing the passing rental income and lease terms to underlying supporting documentation. In respect of the Group's properties in the course of development, this primarily involved agreeing the costs incurred to date to supporting documentation and reviewing the costs to complete against the latest development appraisals and, where applicable, supplier contracts or other agreements.
- We compared the key valuation assumptions against our independently formed market expectations and challenged the valuer where significant variances from these expectations were identified until we were satisfied with their response. We then verified those responses to supporting documentation where appropriate. For the Group's income generating properties, the key valuation assumptions were the market capitalisation yields and estimated rental values, which we reviewed by reference to market data based on the location and specifics of each property. For the Group's properties in the course of development, the key valuation assumptions were deemed to be the forecast gross development values, house price inflation, cost price inflation, developer profit margin and the risk adjusted discount rates. Our review of these assumptions included reference to comparable market transactions and external market forecasts for house price and cost inflation. We also tested the arithmetic and mechanical integrity of formulae in the cash flow models used by the external valuer in the valuation of the Group's largest strategic land sites by value (being Alconbury, Rugby and Newark).
- We visited the Group's development sites at Alconbury, Rugby and Waterbeach, and the Deansgate hotel.
- We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

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

Revenue and profit recognition

Risk

The Group's revenue includes income from the sale of commercial trading properties, including land interests held through promotion agreements with the landowner. Proceeds from such sales should only be recognised once the risks and rewards of ownership have passed to the buyer, which is typically when contracts have been unconditionally exchanged. Sale transactions can also be structured such that the Group receives the proceeds as a series of staged payments over a period of more than one year. We therefore identified the recognition and measurement of this type of revenue as a significant audit risk.

The Group's results for the current year also include the first sale of a residential unit constructed on one of its strategic land sites. The directly attributable costs of building each property within this phase include site-wide infrastructure and construction costs. The Group has therefore had to develop a method for allocating costs so that the appropriate amount of profit can be recognised on each unit sale, which required a number of judgements to be made. Although the sale in the current year was not material to these financial statements, we identified the recognition and measurement of profit from this transaction to represent a significant audit risk as the cost allocation method applied would set a precedent for future periods when the level of disposals is expected to be material.

Response

Our audit work in relation to the recognition and measurement of income from the sale of commercial property interests included, but was not restricted to, the following:

- We evaluated the revenue recognition policy applied to each of the significant disposal transactions.
- We reviewed the terms of the relevant sales agreements to ensure that the Group had fulfilled its contractual obligations to entitle it to the revenue.
- We reviewed and challenged the discount factor applied to any deferred sales receipts and tested the present value calculations.
- We evaluated the recoverability assessment made by management in respect of the deferred sales receipts.

Our audit work in relation to the recognition and measurement of profit from the sale of the residential property unit included, but was not restricted to, the following:

- We performed procedures to validate the appropriateness of actual and forecast margin across the individual phases of the entire site.
- We compared the estimated sales value of future sales against the actual value achieved to date.
- We evaluated the method by which site-wide infrastructure costs have been allocated firstly to each residential phase and then to each residential unit.
- We evaluated the method by which the construction costs for this residential phase have been allocated to each residential unit within the phase.
- We tested a sample of actual infrastructure and construction costs incurred to date and reviewed the expected costs to complete against the latest project appraisals and contracted costs.
- We reviewed the terms of the development agreement to agree the way in which the proceeds from the sale of the unit are distributed between the Group and the housebuilder.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

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

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

Matters on which we are required to report by exception continued

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

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

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

We have nothing to report in respect of these matters.

Statement regarding the Directors' assessment of principal risks, going concern and longer-term viability of the Company

We have nothing material to add or to draw attention to in relation to:

- the Directors' confirmation in the Annual Report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated;
- the Directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- the Directors' explanation in the Annual Report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our reviews of the Directors' statements in relation to the principal risks facing the entity, how those risks are managed or mitigated and the longer-term viability of the Group are substantially less in scope than an audit. They consisted only of making inquiries and considering the processes that supported the statements and the consistency of the statements with the knowledge that we acquired during our audit. We also reviewed the statements against the specific requirements of the Code.

We agreed with the Directors' adoption of the going concern basis of accounting and did not identify any material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and Company's ability to continue as a going concern.

Matters on which we have agreed to report by exception

The Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code 2016 and statements in relation to going concern and longer-term viability as if the Company's shares had a Premium Listing on the London Stock Exchange. Accordingly, we have agreed to review the part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified by the Listing Rules of the Financial Conduct Authority for review by the auditor.

We have nothing to report in respect of our review.

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
1 December 2016

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

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	27	—	4,731
Surplus on revaluation of investment properties	11	**13,983**	1,930
Share of post-tax profit from joint ventures	13	**6,551**	3,760
Impairment of loans to joint ventures	13	**(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	8	**(5,018)**	(14)
Total comprehensive income		**20,841**	7,025
Basic earnings per share	9	**14.6p**	5.0p
Diluted earnings per share	9	**14.5p**	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 notes on pages 126 to 154 form part of these financial statements.

	Notes	30 September 2016 £'000	30 September 2015 £'000
Non-current assets			
Investment properties	11	128,858	98,615
Property, plant and equipment	12	5,644	2,708
Investments in joint ventures and associates	13	51,047	41,718
Deferred tax assets	14	5,159	8,657
		190,708	151,698
Current assets			
Trading properties	15	185,204	163,459
Trade and other receivables	16	60,474	33,268
Cash and cash equivalents	19	15,083	43,574
		260,761	240,301
Total assets		451,469	391,999
Non-current liabilities			
Borrowings	18	(33,456)	(11,408)
Deferred tax liabilities	14	(5,473)	(3,967)
		(38,929)	(15,375)
Current liabilities			
Borrowings	18	(16,100)	—
Trade and other payables	17	(30,128)	(28,796)
		(46,228)	(28,796)
Total liabilities		(85,157)	(44,171)
Net assets		366,312	347,828
Equity			
Share capital	20	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)	22	254.0p	241.2p
EPRA NAV per share	22	284.2p	270.4p

The financial statements were approved by the Board and authorised for issue on 1 December 2016 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 126 to 154 form part of these financial statements.

Registered in Scotland No. SC149799

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**

	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

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and other non-current investments. The Company has elected to prepare its individual financial statements, on pages 155 to 163, in accordance with FRS 102.

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

Functional and presentation currency

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

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 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 statements present the results of the Group as if it formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

Business combinations

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

1. Accounting policies continued

Joint arrangements

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

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

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

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

Associates

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

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

Investment properties

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

Investment properties are recognised as an asset when:

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

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

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.

1. Accounting policies continued

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 have 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 are attributed to the sale of the asset and are 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.

1. Accounting policies continued

Taxation continued

Deferred tax continued

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.

1. Accounting policies continued

Financial instruments continued

Trade and other payables

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

Borrowings

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

Borrowing costs

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

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

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

Critical accounting estimates and judgements

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

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

Valuation of investment and trading properties

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

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

Distinction between investment properties and trading properties

Where there is a strategic decision taken to develop any element of an investment property for sale rather than hold for investment purposes, then that element is remeasured to fair value at the decision date and transferred to trading properties.

Capitalisation of administrative expenses

Administrative expenses are capitalised to investment and trading properties that are in the course of development. The amounts capitalised are estimated with reference to the time and resources spent on the projects in the year.

Trading income

The sale of parcels or units of strategic land requires an allocation of costs, including site-wide infrastructure and any construction costs directly attributable to individual land parcels in order to account for cost of sales associated with the disposal. The costs being allocated include those incurred to date together with an allocation of costs remaining.

Taxation

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

Share-based payments

The value of share-based payments is estimated using an option pricing model as at the date of grant and using certain assumptions that are disclosed in note 24.

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.

4. Segmental information continued

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**

4. Segmental information continued

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. Directors' remuneration

Details of the Directors' remuneration is given in the Directors' remuneration report on pages 103 to 110.

7. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	Year ended 30 September 2016 £'000	Year ended 30 September 2015 £'000
Wages and salaries (including discretionary bonus)	9,933	6,941
Employer's National Insurance contributions and similar taxes	1,358	929
Defined contribution pension cost	812	496
Share-based payment expense	2,368	1,777
Total staff costs (including Directors)	14,471	10,143
Amount capitalised to investment and trading properties	(3,503)	(3,430)
Amount included within operating profit	10,968	6,713

Average number of employees during the year (including Directors)	Year ended 30 September 2016 Number	Year ended 30 September 2015 Number
Head office and property management	66	50

8. 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).

9. 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

10. 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.

11. 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**

11. Investment properties continued

(ii) Operating lease arrangements

Refer to note 25 for details of the operating leases related to investment properties.

(iii) Items of income and expense

During the year ended 30 September 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 has 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 have 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.

11. Investment properties continued

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**	8.5–0.0

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.

12. 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 (see note 27)	—	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.

13. 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 (see note 27)	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**

13. Investments continued
Investments in joint ventures and associates continued
Summarised information on joint ventures 2016 continued

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 11). 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 11.

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

13. Investments continued

Investments in joint ventures and associates continued

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).

A complete list of the Group's subsidiaries is included in note 13 of the notes to the Company financial statements on pages 161 to 163.

14. 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 (see note 27)	—	(2,295)
Movement in the year (see note 8)	**(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.

15. 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 (see note 27)	—	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.

16. 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.

The ageing of trade receivables was as follows:	At 30 September 2016 £'000	At 30 September 2015 £'000
Up to 30 days	39,117	14,585
31 to 60 days	1,808	1
61 to 90 days	69	44
Over 90 days	443	4,114
Total	41,437	18,744
Amounts not yet invoiced	7,720	9,354
Trade receivables (net)	49,157	28,098

There were no amounts past due but not impaired at 30 September 2016 or 2015.

There were no amounts due relating to construction contracts included within amounts recoverable under contracts at 30 September 2016 or 2015.

17. 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

18. 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 HCA 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.

19. Financial instruments

(a) Capital risk management

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

The Group's capital comprises equity attributable to shareholders, cash and cash equivalents and borrowings.

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

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

The Group has a progressive dividend policy that is aligned with the performance of the Group's net asset value.

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

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

(b) Financial risk management

The Group's principal financial instruments at 30 September 2016 comprise cash, short-term deposits and bank and other loans. The main purpose of these financial instruments is to provide finance for the Group's operations at appropriate cost and risk levels.

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

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

19. Financial instruments continued
(b) Financial risk management continued
(i) Interest rate risk
Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates.

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

When necessary and considered appropriate, the Group borrows cash in the form of loans, which are usually subject to interest at floating rates. It is recognised that rates will fluctuate according to changes in LIBOR and the bank base rate. The Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. However, at 30 September 2016, the Group had no interest rate swaps in place (2015: none) and therefore exposure to interest rate risk in respect of its financial liabilities relates to the cost of servicing its floating rate borrowings.

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

0.5 per cent increase in interest rates	At 30 September 2016 £'000	At 30 September 2015 £'000
Interest on borrowings	(250)	(56)
Interest on cash deposits	75	218
Total impact on pre-tax profit and equity – (loss)/gain	**(175)**	162

0.5 per cent decrease in interest rates	At 30 September 2016 £'000	At 30 September 2015 £'000
Interest on borrowings	250	56
Interest on cash deposits	(75)	(218)
Total impact on pre-tax profit and equity – gain/(loss)	**175**	(162)

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2016 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	**93,338**	**8,899**	**6,291**	**78,148**

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	**78,775**	**48,556**	—	**30,219**

19. Financial instruments continued
(b) Financial risk management continued
(i) Interest rate risk continued
Market rate sensitivity analysis continued

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2015 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	98,668	1,296	33,758	63,614

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	30,695	11,408	—	19,287

(ii) Credit risk
The Group's principal financial assets are cash, trade and other receivables, amounts recoverable under contracts and loans advanced to joint ventures and associates.

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

The principal risk is therefore deemed to arise from trade and other receivables and loans advanced to joint ventures and associates. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but there is no significant concentration of credit risk as no tenant accounts for more than 5 per cent of total revenue. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to mitigate against potential financial loss arising from defaults where considered necessary. Other receivables are predominantly due from local authorities, which are not considered to have a high credit risk. The Group's joint ventures and associates are structured, with the assistance of professional advisers, in a way that provides the Group with maximum flexibility and security. Furthermore, robust controls and procedures are applied to these interests in a manner that is consistent with other Group operations.

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2016 are shown below. Included in cash is £3,170,000 that is restricted (2015: £853,000).

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
HSBC, Wells Fargo	AA-	57	1,611	1,668
Bank of Scotland, Barclays, ING Bank NV, Nationwide	A	7,186	4,249	11,435
RBS	BBB+	1,656	324	1,980
		8,899	**6,184**	**15,083**

19. Financial instruments continued
(b) Financial risk management continued
(ii) Credit risk continued

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2015 are shown below.

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
Handelsbanken, HSBC, Wells Fargo	AA-	1,624	16,015	17,639
Bank of Scotland, Close Brothers, Helaba, Lloyds, Nationwide, Santander	A	4,871	12,140	17,011
Barclays	A-	909	2,504	3,413
Co-operative	B	154	—	154
Aareal, RBS	BBB+	2,258	3,099	5,357
		9,816	33,758	43,574

(iii) Liquidity risk

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

The maturity analysis of the undiscounted contractual cash flows relating to financial liabilities as at 30 September 2016 (excluding those repayable on demand) is presented below.

At 30 September 2016	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000
Bank loan arranged in 2016	Sterling	2.97%	2018	16,100	16,100	16,100	—	—
Bank loan arranged in 2016	Sterling	2.63%	2021	14,152	16,204	852	833	14,519
Bank loan arranged in 2016	Sterling	2.59%	2020	6,522	7,333	549	538	6,246
Other loans arranged in 2015	Sterling	3.24%	2021	11,782	13,610	—	—	13,610
Total				48,556	53,247	17,501	1,371	34,375

At 30 September 2015	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000
Other loans arranged in 2015	Sterling	3.22%	2021	11,408	13,610	—	—	13,610
Total				11,408	13,610	—	—	13,610

The Group has the following undrawn committed bank borrowing facilities at the year end:

	At 30 September 2016 £'000	At 30 September 2015 £'000
Expiring between one and five years	43,000	—

19. Financial instruments continued

(c) Categories of financial assets and financial liabilities

	At 30 September 2016		At 30 September 2015	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Current financial assets – loans and receivables				
Cash and cash equivalents	15,083	15,083	43,574	43,574
Trade and other receivables	49,905	49,905	28,745	28,745
Amounts recoverable on contracts	63	63	449	449
Total current financial assets	65,051	65,051	72,768	72,768
Non-current financial assets – loans and receivables				
Loans advanced to joint ventures and associates	28,287	28,287	25,900	25,900
Total non-current financial assets	28,287	28,287	25,900	25,900
Total financial assets	93,338	93,338	98,668	98,668
Current financial liabilities – amortised cost				
Bank loans	16,100	16,100	—	—
Trade payables	12,607	12,607	4,501	4,501
Other payables	16,612	16,612	14,786	14,786
Total current financial liabilities	45,319	45,319	19,287	19,287
Non-current financial liabilities – amortised cost				
Bank loans	20,674	20,674	—	—
Other loans	12,782	12,782	11,408	11,408
Total non-current financial liabilities	33,456	33,456	11,408	11,408
Total financial liabilities	78,775	78,775	30,695	30,695

The maximum exposure to credit risk from the financial assets, excluding cash, is £78,255,000 (2015: £55,094,000). Of this, one amount of £38,200,000 was received 18 days following the year end.

At 30 September 2016 and 30 September 2015 no financial assets or liabilities were designated at fair value.

20. 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 (see note 27).

21. Reserves

The movement on reserves in the year is set out in the consolidated statement of changes in equity on page 124.

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

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

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

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

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

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

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

Net asset value and EPRA net asset value per share 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

23. 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

24. Share-based payments

The Group operates an equity-settled share-based payment scheme for all Executive Directors and certain employees.

Options are granted over the Company's shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. In the year ended 30 September 2016, options over 1,133,924 shares (30 September 2015: 635,096 shares) were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

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

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

The performance conditions for the awards granted in the period run from 1 October 2015 to 30 September 2018.

At 30 September 2015 there were 279,994 vested share awards outstanding that were acquired as part of the business combination in May 2014. During the year 260,523 of these awards were exercised and at 30 September 2016, 19,471 options remain vested but not exercised.

	Year ended 30 September 2016			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2015	2,856,810	20.00p		
Awards lapsed	(223,886)	20.00p		
Awards exercised	(439,192)	20.00p		
Awards granted (date of grant: 21 June 2016)	1,133,924	—	121.67p – 232.90p	241.0p
Awards outstanding at 30 September 2016	3,327,656	13.00p		

24. Share-based payments continued

	Year ended 30 September 2015			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2014	2,806,018	20.00p		
Awards lapsed	(584,304)	20.00p		
Awards granted (date of grant: 27 February 2015)	178,669	20.00p	251.86p	264.0p
Awards granted (date of grant: 26 March 2015)	456,427	20.00p	134.92p – 214.22p	260.0p
Awards outstanding at 30 September 2015	2,856,810	20.00p		

The fair value of the awards in the year ended 30 September 2016 was calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. The values assigned to those variables were: 241.00p grant date share price, 0.00p exercise price, expected term of three years, 1.14 per cent expected dividend yield, 20.68 per cent expected volatility and 0.44 per cent expected risk free interest rate.

The awards in March 2015 were subject to the same performance criteria as those issued on 30 September 2014 and the same valuation was applied, as the Directors determined that fair value had not materially changed since the 30 September 2014 award. The values assigned to those variables were: 233.50p grant date share price, 20.00p exercise price, expected term of three years, 0.00 per cent expected dividend yield, 39.10 per cent expected volatility and 1.22 per cent expected risk free interest rate. The awards in February 2015 were not subject to any performance criteria beyond continued employment. The valuation of those awards was based on the fair value of consideration paid for the acquisition of Catesby.

For each valuation, the expected volatility was determined by reference to historical volatility over a period of time commensurate with the remainder of the performance period immediately prior to the date of grant.

This value is charged to the consolidated statement of comprehensive income over the vesting period. The charge to the consolidated statement of comprehensive income for the year was £2,368,000 (2015: £1,777,000).

The weighted average share price on the date of the awards exercised in the year was 243.0p. There were no awards exercised in the prior period.

Employee Benefit Trust

	Number	Cost £'000
At 1 October 2014	42,594	254
Share purchase	1,442,709	3,697
At 1 October 2015	1,485,303	3,951
Share purchase	437,392	1,029
Transferred to employees on share option exercise	(439,192)	(1,163)
At 30 September 2016	**1,483,503**	**3,817**

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

During the year, the Employee Benefit Trust purchased 189,154 shares on the stock market. The remaining 248,238 shares represent the amount that would have been issued to employees had the Company not settled the tax liabilities associated with the exercise of share options on their behalf. There is an equal and offsetting balance within the amount transferred to employees on share option exercise.

On 30 September 2016 the Trust held 1,483,503 (2015: 1,485,303) ordinary shares of 20p each in Urban&Civic plc. The market value of these shares at 30 September 2016 was £3,338,000 (2015: £3,981,000).

25. Leases

Operating lease commitments where the Group is the lessee

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

Land and buildings	At 30 September 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

26. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel. The combined emoluments, including any termination or compensation payments, for the key management personnel (relating to the period they were a Director), based upon amounts included in the Group financial statements, are set out in the Directors' remuneration report on page 103.

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 2016 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.

27. Business combinations

Prior period

On 27 February 2015 the Group acquired the entire issued share capital of Catesby Property Group plc, the parent company of a well established, planning-led, strategic land group. The acquisition increased the Group's interest in land holdings in areas of high housebuilder demand and land promotion capability. The purchase consideration was satisfied through a combination of £21,999,000 of cash and 4,248,553 new ordinary shares of 20p each in the Company.

Details of the fair value of the identifiable assets and liabilities acquired, the purchase consideration and the discount arising on the purchase were as follows:

	Fair value £'000
Non-current assets	
Property, plant and equipment	67
Investments in joint venture	17
Deferred tax assets	23
	107
Current assets	
Trading properties	34,077
Trade and other receivables	9,549
Cash and cash equivalents	6,582
	50,208
Total assets	50,315
Non-current liabilities	
Deferred tax liabilities	(2,295)
Corporation tax	(2,003)
	(4,298)
Current liabilities	
Trade and other payables	(8,094)
	(8,094)
Total liabilities	(12,392)
Net assets acquired	37,923
Fair value of consideration given	
Fair value of the cash consideration at 27 February 2015	21,999
Fair value of consideration shares at 27 February 2015	11,193
Total consideration	33,192
Discount on acquisition	4,731

The fair value of the share consideration given was calculated by reference to the Company's share price at the time of the acquisition.

Of the amounts disclosed above, payment of £3,281,000 of the cash consideration and £1,948,000 of the share consideration (representing 739,107 ordinary shares of 20p each) was deferred until 27 February 2016 and settled during the current year.

Fair value adjustments to the net assets acquired relate to property revaluations and deferred tax thereon.

Acquisition costs of £857,000 were recognised in administrative expenses in the consolidated statement of comprehensive income in 2015.

	Notes	30 September 2016 £'000	30 September 2015 £'000
Fixed assets			
Investments	4	**453,038**	451,411
		453,038	451,411
Current assets			
Debtors due within one year	5	**42,969**	27,454
Cash at bank and in hand		**392**	372
		43,361	27,826
Creditors: amounts falling due within one year	6	**(186,800)**	(172,002)
Net current liabilities		**(143,439)**	(144,176)
Total assets less current liabilities		**309,599**	307,235
Capital and reserves			
Share capital	8	**28,961**	28,801
Share premium account		**168,320**	168,186
Shares to be issued		**—**	1,948
Share scheme reserve		**5,974**	3,653
Capital redemption reserve		**849**	849
Own shares		**(3,817)**	(3,951)
Merger reserve		**97,025**	95,225
Retained earnings		**12,287**	12,524
Shareholders' funds		**309,599**	307,235

The financial statements were approved by the Board and authorised for issue on 1 December 2016 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 157 to 163 form part of these parent company financial statements.

Registered in Scotland No. SC149799

for the year ended 30 September 2016

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Share scheme reserve £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 October 2014	28,099	168,186	—	2,440	849	(254)	94,095	6,703	300,118
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)
Comprehensive income for the year	—	—	—	—	—	—	—	1,940	1,940
Dividends paid	—	—	—	—	—	—	—	(3,532)	(3,532)
Share-based payment expense	—	—	—	1,213	—	—	—	—	1,213
Reserve transfer on impairment of investment in subsidiary	—	—	—	—	—	—	(7,413)	7,413	—
Balance at 30 September 2015	28,801	168,186	1,948	3,653	849	(3,951)	95,225	12,524	307,235
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	—	—	1,163
Purchase of own shares	—	—	—	—	—	(1,029)	—	—	(1,029)
Comprehensive income for the year	—	—	—	—	—	—	—	3,693	3,693
Dividends paid	—	—	—	—	—	—	—	(3,930)	(3,930)
Share-based payment expense	—	—	—	2,321	—	—	—	—	2,321
Balance at 30 September 2016	**28,961**	**168,320**	**—**	**5,974**	**849**	**(3,817)**	**97,025**	**12,287**	**309,599**

1. Accounting policies

Accounting convention

The financial statements of the Company have been prepared under FRS 102 and the historical cost convention and in accordance with the Companies Act 2006.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015. Information on the impact of first-time adoption of FRS 102 is given in note 12.

The Company has taken the following exemptions as permitted by FRS 102:

- no cash flow statement is presented. A consolidated cash flow statement is presented on page 125 of the Group financial statements;
- certain financial instruments disclosure as equivalent disclosure has been provided in respect of the Group as a whole; and
- related party transactions with wholly owned members of the Group.

Rental income

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

Share-based payments

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

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

Employee Benefit Trust

The Company is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and is consolidated in the Company's accounts. The EBT's investment in the parent company's shares is deducted from equity in the Company balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Company.

Investments

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

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

Dividends

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

Financial instruments

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

1. Accounting policies continued

Trade and other debtors

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

Financial liabilities

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

2. Profit attributable to members of the parent company

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The Group consolidated financial statements include a profit after tax for the year of £3,693,000 (2015: £1,940,000) attributable to the Company. At 30 September 2016, the entire balance of £12,287,000 (2015: £12,524,000) in retained earnings represents distributable reserves.

3. Directors' and auditor's remuneration

Directors' remuneration is given in the Directors' remuneration report on pages 103 to 110. Details of the remuneration paid to the Company's auditor, BDO LLP, for audit and non-audit services provided are given in note 3 to the Group financial statements on page 132.

4. Investments

	£'000
Cost	
At 1 October 2015	476,796
Additions	59
Capital contribution on the granting of share scheme options to employees of subsidiaries	2,321
At 30 September 2016	**479,176**
Amounts written off	
At 1 October 2015	25,385
Impairment charge	753
At 30 September 2016	**26,138**
Net book value	
At 30 September 2016	**453,038**
At 30 September 2015	451,411

A complete list of the Company's subsidiaries is included in note 13 of these Company financial statements.

5. Debtors

	At 30 September 2016 £'000	At 30 September 2015 £'000
Amounts due within one year:		
Other debtors	**658**	—
Prepayments and accrued income	**16,022**	3,221
Amounts due from subsidiaries	**26,289**	24,233
	42,969	27,454

6. Creditors

	At 30 September 2016 £'000	At 30 September 2015 £'000
Amounts due within one year:		
Trade creditors	**36**	115
Accruals and deferred income	**14,567**	1,132
Amounts due to subsidiaries	**171,914**	167,221
Other creditors	**283**	3,534
	186,800	172,002

7. Related party transactions

The Company has taken advantage of the exemption allowed by FRS 102 Section 33 'Related Party Disclosures' not to disclose any transactions with other Group entities that are wholly owned within the Group.

The Company has previously made a loan of £4,220,000 (2015: £4,220,000) to Terrace Hill Residential PLC, an associated undertaking, which is fully provided against at 30 September 2016 and 2015.

8. Share capital

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

Movements in ordinary share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2015	28,801	144,006,555
Ordinary 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's merger reserve represents the excess over the nominal value of shares issued to acquire shares in a subsidiary undertaking when the conditions to qualify for merger relief have not been met.

A description of the nature and purpose of the Company's other reserves is provided in note 21 to the Group financial statements.

9. Share-based payments

The Company operates an equity-settled share-based payment scheme for all Executive Directors and certain employees of the Group. Details of the options granted under the scheme and the options outstanding at the balance sheet date are given in note 24 to the Group financial statements. On the basis that all awards made relate to employees of subsidiaries, this value is recognised as a capital contribution to those subsidiaries over the vesting period and is added to the cost of the relevant investment. The total capital contribution for the year was £2,321,000 (2015: £1,213,000).

Employee Benefit Trust

The Company established the Urban&Civic plc Employee Benefit Trust (the 'Trust') to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The Trust purchases shares in the Company to satisfy the Company's obligations under its share-based payment plans. Transactions in the Company's own shares in the year are given in note 24 to the Group financial statements.

10. Financial commitments

Operating lease commitments where the Company is the lessee

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

Land and buildings	At 30 September 2016 £'000	At 30 September 2015 £'000
In one year or less	**1,278**	1,278
Between one and five years	**1,543**	2,825
In five years or more	**—**	—
	2,821	4,103

11. Contingent liabilities and guarantees

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

12. Effect of transition to FRS 102

	As previously stated 1 October 2014 £'000	Effect of transition 1 October 2014 £'000	FRS 102 (as restated) 1 October 2014 £'000	As previously stated 30 September 2015 £'000	Effect of transition 1 October 2015 £'000	FRS 102 (as restated) 1 October 2015 £'000
Fixed assets	291,508	—	291,508	451,411	—	451,411
Current assets	17,894	—	17,894	27,826	—	27,826
Creditors: amounts falling due within one year	(9,439)	155	(9,284)	(172,206)	204	(172,002)
Net current assets/(liabilities)	8,455	155	8,610	(144,380)	204	(144,176)
Total assets less current liabilities	299,963	155	300,118	307,031	204	307,235
Capital and reserves	299,963	155	300,118	307,031	204	307,235

	As previously stated 30 September 2015 £'000	Effect of transition 30 September 2015 £'000	FRS 102 (as restated) 30 September 2015 £'000
Profit after tax	1,891	49	1,940

The Company has adopted FRS 102 for the first time for the year ended 30 September 2016. The change to the previously reported figures represents the change of recognition in lease incentives granted, from being allocated over the period to the first rent review to over the entire lease period.

13. Subsidiary undertakings

At 30 September 2016 the subsidiaries, held directly or indirectly by the Company, were as follows:

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Alconbury Weald Estate Management Company Limited[1]	100%	Property management
AW Management Company (KP1C) Limited[1]	100%	Property management
AW Management Company (KP1R) Limited[1]	100%	Property management
Baltic Business Quarter Management Limited[1]	100%	Property management
Bridge Quay Management Company Limited[1]	100%	Property management
Brightstamp Limited[2]	100%	Investment holding company
Catesby Development Land Limited[2]	100%	Property development
Catesby Estates (Developments) Limited[2]	100%	Property development
Catesby Estates (Developments II) Limited[2]	100%	Property development
Catesby Estates (Grange Road) Limited[3]	100%	Property development
Catesby Estates (Hawton) Limited[3]	100%	Property development
Catesby Estates (Newark) Limited[3]	100%	Property development
Catesby Estates (Residential) Limited[3]	100%	Property development
Catesby Estates Limited[3]	100%	Property development
Catesby Estates Promotions Limited[2]	100%	Property development
Catesby Land and Planning Limited[2]	100%	Property development
Catesby Land Limited[3]	100%	Property development
Catesby Land Promotions Limited[2]	100%	Property development
Catesby Promotions Limited[2]	100%	Property development
Catesby Property Group plc[3]	100%	Management and administration
Catesby Serviced Offices (Doncaster) Limited[3]	100%	Property management
Christchurch Business Park Management Limited[1]	100%	Property management
Dialfolder Limited[2]	100%	Investment holding company
Greyhound Inn Developments Limited[3]	100%	Property development
Manhattan Gate Management Company Limited[1]	100%	Property development
Newark Commercial Limited[3]	100%	Property development
Second Park Circus Investing[2]	100%	Investment holding company
Second Terrace Hill Investing[2]	100%	Investment holding company
T.H (Development Partnership) Limited[1]	100%	Investment holding company
T.H (Development Partnership) General Partner Limited[1]	100%	Investment holding company
Terrace Hill (Awdry) Holdings Limited[1]	100%	Investment holding company
Terrace Hill (Bracknell) Limited[1]	100%	Property development
Terrace Hill (Herne Bay) Limited[1]	100%	Property development
Terrace Hill Brigit Limited[1]	100%	Investment holding company
Terrace Hill Castlegate House Limited[1]	100%	Property development
Terrace Hill Deansgate Operations Company Limited[1]	100%	Property management
Terrace Hill Foodstore Development Company Parent Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Developments Limited[1]	100%	Property development
Terrace Hill Mayflower Plaza Limited[1]	100%	Property development
Terrace Hill Southampton Limited[1]	100%	Property development
Urban&Civic (Bradford) Limited[1]	100%	Property development
Urban&Civic (Management) Limited[2]	100%	Management and administration
Urban&Civic (Property Investment No 1) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 2) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 3) Limited[2]	100%	Property investment

13. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban&Civic (Secretaries) Limited [2]	100%	Administration
Urban&Civic Alconbury Limited [1]	100%	Property investment and development
Urban&Civic Alconbury S.à.r.l. (incorporated in Luxembourg) [4]	100%	Investment holding company
Urban&Civic Armadale No. 1 Limited [2]	100%	Property development
Urban&Civic Baltic No 2 Limited [1]	100%	Property development
Urban&Civic Baltic No 4 Limited [1]	100%	Property development
Urban&Civic Bishop Auckland Limited [1]	100%	Property development
Urban&Civic Britannic Global Income Trust Limited [2]	100%	Investment holding company
Urban&Civic Broomielaw Limited [2]	100%	Property development
Urban&Civic Burnley Limited [1]	100%	Property development
Urban&Civic Central Funding Limited [1]	100%	Investment holding company and property development
Urban&Civic Central Scotland Limited [2]	100%	Property development
Urban&Civic Christchurch Limited [1]	100%	Property development
Urban&Civic Deansgate Limited [1]	100%	Property development
Urban&Civic Developments Limited [1]	100%	Property development
Urban&Civic Feethams Limited [1]	100%	Property investment and development
Urban&Civic Foodstores Company Limited [1]	100%	Investment holding company
Urban&Civic Galashiels No.2 Limited [1]	100%	Property development
Urban&Civic Group Limited [1]	100%	Investment holding company and property development
Urban&Civic Hayling Island Limited [1]	100%	Property development
Urban&Civic Holdings S.à.r.l. (incorporated in Luxembourg) [4]	100%	Investment holding company
Urban&Civic Holmfirth Limited [1]	100%	Property development
Urban&Civic Homes Limited [2]	100%	Property development
Urban&Civic Honiton Limited[1]	100%	Property development
Urban&Civic Howick Place Investments Limited[1]	100%	Investment holding company
Urban&Civic Hyde Limited[1]	100%	Property development
Urban&Civic Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Maidenhead Limited[1]	100%	Property development
Urban&Civic Middlehaven Limited[1]	100%	Investment holding company and property development
Urban&Civic Middlehaven Properties Limited[1]	100%	Property development
Urban&Civic Middlehaven Properties 2 Limited[1]	100%	Property development
Urban&Civic Middlesbrough Limited[1]	100%	Property development
Urban&Civic Miscellaneous Properties Limited[1]	100%	Property development
Urban&Civic North East Limited[1]	100%	Investment holding company and property development
Urban&Civic Northam Limited[1]	100%	Property development
Urban&Civic Penzance Limited[1]	100%	Property development
Urban&Civic Prestwich Limited[1]	100%	Property development
Urban&Civic Princess Street Limited[1]	100%	Property development
Urban&Civic Projects Limited[1]	100%	Project co-ordination and management services
Urban&Civic Property Developments Limited[1]	100%	Investment holding company
Urban&Civic Property Developments No 1 Limited[1]	100%	Property development
Urban&Civic Property Developments No 2 Limited[1]	100%	Property development
Urban&Civic Property Investments No. 4 Limited[1]	100%	Investment holding company
Urban&Civic Redcliff Street Limited[1]	100%	Property development
Urban&Civic Residential Lettings No.3 Limited[1]	100%	Property development

13. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban&Civic Resolution Limited[1]	100%	Property development
Urban&Civic Rugby Limited[1]	100%	Property investment and development
Urban&Civic Rugby (Member) Limited[1]	100%	Property investment and development
Urban&Civic Skelton Limited[1]	100%	Property development
Urban&Civic St. Austell Limited[1]	100%	Property development
Urban&Civic Stockton Limited[1]	100%	Property development
Urban&Civic Stokesley Limited[1]	100%	Property development
Urban&Civic Sunderland Limited[1]	100%	Property development
Urban&Civic Tunbridge Wells Limited[1]	100%	Property development
Urban&Civic UK Limited[1]	100%	Management and administration
Urban&Civic Victoria Street Limited[1]	100%	Property development
Urban&Civic Waterbeach Limited[1]	100%	Property investment and development
Urban&Civic Westview Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Whiston Investments Limited[1]	100%	Property development

1. Registered address: 50 New Bond Street, London W1S 1BJ.
2. Registered address: 115 George Street, Edinburgh EH2 4JN.
3. Registered address: Catesby House, 5b Tournament Court, Edgehill Drive, Warwick, Warwickshire CV34 6LG.
4. Registered address: 40 Avenue Monterey, L-2163, Luxembourg.

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
LEP	Local Enterprise Partnership
Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
LTV	Loan to value
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
Net gearing	Total debt less cash and cash equivalents divided by net assets
NPPF	National Planning Policy Framework
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
PSP	Performance Share Plan
S106	Section 106 planning obligations
SDLT	Stamp Duty Land Tax
Terrace Hill group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
Voids	Period of non-occupancy of a lease

Key contacts and advisers

Registered office
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Registered number: SC149799

Principal place of business
50 New Bond Street
London W1S 1BJ

Company Secretary
Heather Williams FCIS

Independent auditor
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55 Baker Street
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Registrars
Share Registrars Limited
The Courtyard
17 West Street
Farnham
Surrey GU9 7DR
Phone: 01252 821 390
Email: enquiries@shareregistrars.uk.com

Financial calendar

2016 final dividend[1]	1.8p
Ex-dividend date	12 January 2017
Record date	13 January 2017
Last date for receipt of scrip elections/scrip applications	27 January 2017
Dividend payment/scrip issue date	24 February 2017
Annual General Meeting[2]	15 February 2017
2016 interim dividend	1.1p
Record date	10 June 2016
Dividend payment/scrip issue date	22 July 2016
2016 Half year results announcement	26 May 2016

1. The Board has recommended a final dividend of 1.8p per share which is payable subject to shareholder approval at the 2017 Annual General Meeting.
2. The Annual General Meeting will be held at 10.00 a.m. on 15 February 2017 at the Savile Club, 69 Brook Street, London W1K 4ER.

Dividend Re-Investment Scheme (DRIS)
A Scrip Dividend Scheme (SCRIP) is available through which eligible shareholders may invest the whole of their cash dividends in additional shares in Urban&Civic plc at the time the dividends are paid. Copies of the SCRIP terms and conditions are available from the Company's registrars, Share Registrars Limited (email: enquiries@shareregistrars.uk.com or phone: 01252 821 390), or may be downloaded from the Company's website at www.urbanandcivic.com.

Shareholder fraud
Over the last year, a number of shareholders have received unsolicited approaches for their shares from parties suggesting they are linked with potential offerors. The Company believes that these are not bona fide offers for shares and shareholders should be aware that these unsolicited share purchase requests are viewed as suspicious by the Company.

Shareholders are advised to be wary of such calls. If you receive any unsolicited investment advice:

- Always ensure the firm is on the Financial Conduct Authority (FCA) Register and is allowed to give financial advice before handing over your money. You can check at www.fca.org.uk.
- Double-check the caller is from the firm they say they are – ask for their name and telephone number and say you will call them back. Do not get into a conversation, note down the name of the person and firm contacting you and then end the call.
- Check their identity by calling the firm using the contact number listed on the FCA Register. If there are no contact details on the FCA Register or you are told that they are out of date, or if you have any other doubts, call the FCA Consumer Helpline on 0800 111 6768.
- Check the FCA's list of known unauthorised overseas firms at www.fca.org.uk. However, these firms change names regularly, so even if a firm is not listed, it does not mean they are legitimate. Always check that they are listed on the FCA Register.
- Consider that if you buy or sell shares from an unauthorised firm you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Think about getting independent professional advice before you hand over any money.

Urban&Civic plc

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Urban&Civic plc's commitment to environmental issues is reflected in this Annual Report which has been printed on Acroprint, a FSC® certified material. This document was printed by Pureprint Group using their environmental print technology, which minimises the impact of printing on the environment. Vegetable based inks have been used and 99 per cent of dry waste is diverted from landfill. The printer is a CarbonNeutral® company.

Both the printer and the paper mill are registered to ISO 14001.

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