Urban&Civic plc

Annual Report and Accounts 2020

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

NIGEL HUGILL —
CHIEF EXECUTIVE

Turn the page to discover how Urban&Civic's Master Developer model has risen to meet the challenges of 2020

Urban&Civic plc

Our purpose

We work at scale and with partners who value quality, to create beautiful, sustainable and community focused places where housebuilders want to build and people want to live.

Our vision

As the leading Master Developer of large scale Strategic Sites, we strive to be proud of the sustainable communities we are crafting, the quality of placemaking we are delivering and the challenges that we are overcoming through shared innovation and passion. We believe that doing things right means creating value for shareholders and for our wider stakeholders. We are committed to keeping our promises, maximising our investment and delivering across an increasing range of sites.

Our values

Quality
We deliver places, environments and outcomes of which we are proud.

Integrity
We keep our promises and do the right things.

Passion
We love what we do and always strive to do it ever better.

Partnership
We build strong, lasting relationships based on trust and shared values.

Innovation
We are unafraid to do things differently.

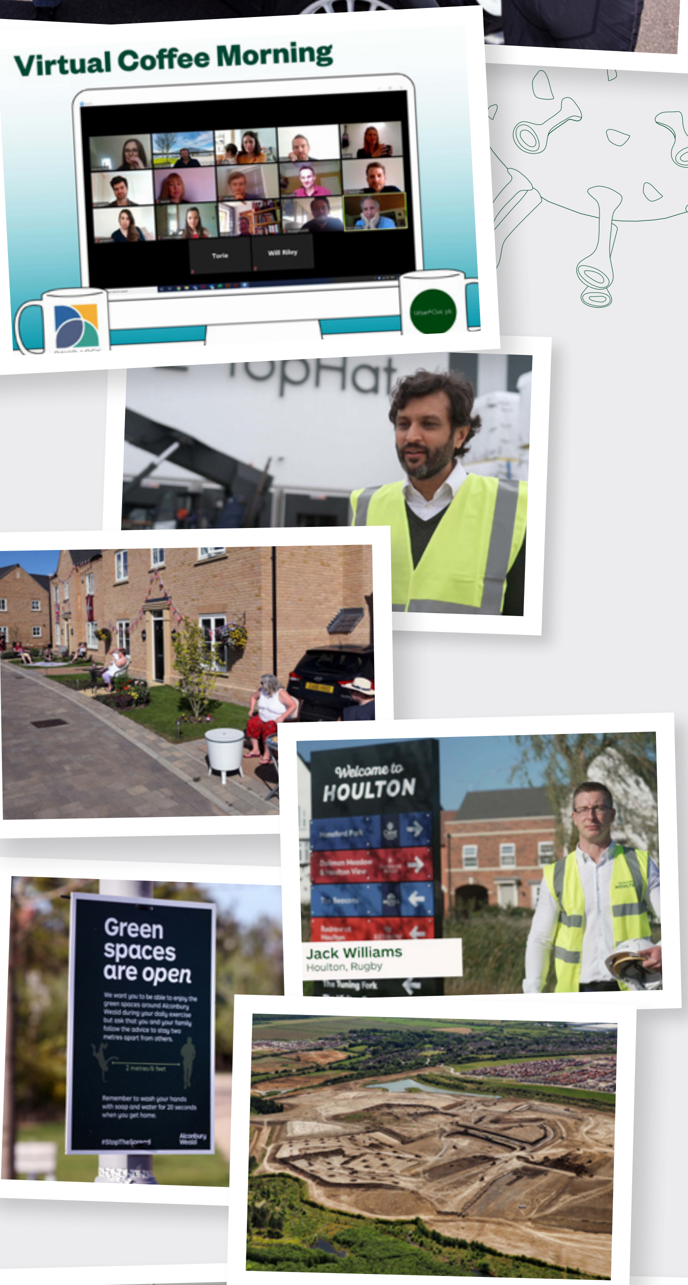
This year we will be looking back over the last ten years – including photos with the year they were taken – which highlight key events in the life of our Company.

S Strategic report

G Governance

F Financial statements

For more information and insights visit:
www.urbanandcivic.com



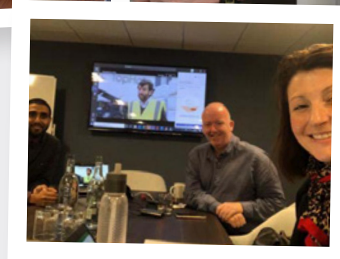
What the pandemic has taught us

2020 has been the greatest shared common experience since the Second World War. Whilst we have all experienced the pandemic, the prism through which we viewed lockdown and its impacts has varied enormously between sectors, companies, stakeholders and communities. As a business we are proud of the way in which our team were able to respond and our key learnings have been:

Communications strengthened

As a business and as a team we addressed the challenges posed by remote working. Resilient technology meant we could work from home and satisfaction with our internal communications rose to a record 97 per cent satisfaction rating. Weekly business-wide updates, with spotlight sections from across the projects/teams, kept everyone fully briefed. A virtual InDay (2020's version of an AwayDay) brought the entire business together in the production of an epic three-hour broadcast to each office for a socially distanced audience. These innovations will be maintained as part of a freshly adopted internal communications strategy.

Urban ← 2 metres → & ←



Stakeholders supported

We have always worked closely with our stakeholders and lockdown proved the strength of these relationships. For the first time we did an entirely virtual half-year update and subsequent investor roadshow. Advisers organised online training and updates for our teams and we did the same for them. Innovation and best practice were proactively shared with local and central Government partners and timings were maintained on the payment of invoices for suppliers.

Delivery continued

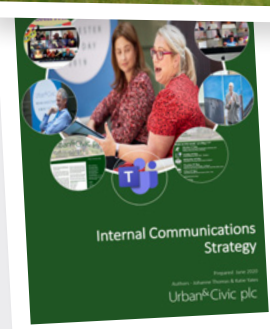
Whilst housebuilding slowed, the scale of our sites meant the scope to continue infrastructure delivery maintained. In fact, our contractors were not only able to keep going but were able to get ahead of programme as they allocated resources to projects where it was possible to follow Government guidelines. Clear and well managed relationships with our contractors and housebuilding customers have enabled the sites to recover from the first lockdown as quickly as possible and continue unabated during the second.

Communities united

Community spirit takes time to build on new sites but the pandemic proved the importance of early community curation. Our team were able to support community initiatives and it was wonderful to see the way in which neighbours and local businesses pulled together. Highlights included the Easter Bunny leaving eggs on doorsteps, superhero shopping deliveries and socially distanced events. Connections made during this time will continue to be fostered.

Green spaces essential

The feedback has been clear. Providing extensive green spaces on our sites and keeping them open and accessible during lockdown made a significant difference to residents who were able to go for their walk/cycle right from their doorstep. The contribution to the health and wellbeing of a community made by green spaces has been reinforced and is now a material factor in selecting a new home.



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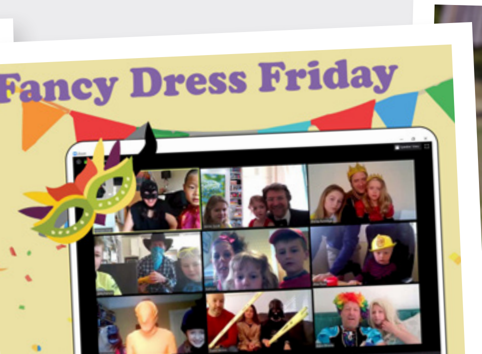


The UK's leading Master Developer

Who we are

We are the UK's leading Master Developer having been specifically created ten years ago to disrupt the established approach to the promotion and delivery of large scale residential led Strategic Sites. Our highly scalable team brings together the significant expertise and experience necessary to accelerate the delivery of high quality and sustainable new communities.

Read more in our business model on pages 14 and 15

Alconbury Key Phase 1 – 2020

Tree moving and planting at Alconbury – 2015

What we do

At the core of our business are the ten Strategic Sites where we are currently bringing forward, either directly or in partnership, 11,050 acres of land predominantly within 100 miles of London. As Master Developer, we take responsibility for obtaining planning and delivering the sustainable green, grey and community infrastructure to establish high quality places within which we market fully serviced land parcels to housebuilders.

Read more on our Master Developer product on pages 16 and 17

Who we work with

Working in partnership with a wide variety of stakeholders is at the heart of successfully delivering Strategic Sites. Our customers are the increasingly diverse housebuilder market and we have partnerships with landowners who share our aspirations for legacy quality and long-term developer relationships.

Read more in our governance report on pages 68 to 71

The launch of Homes England at Alconbury – 2018

Our portfolio

Strategic Sites

Our Strategic Sites are almost all within 100 miles of London, in key growth locations with strong transport links and with delivery and returns achieved over ten to twenty years per site.

No. of sites	Homes consented and submitted
10	**33,000**

- Alconbury Weald
- Houlton, Rugby
- Middlebeck
- Priors Hall
- Waterbeach Barracks
- Wintringham
- Manydown
- Calvert
- Tempsford
- Bowmans Cross

Catesby

Our Catesby business focuses on smaller scale land promotion achieving predominantly planning uplift-based returns.

No. of sites	Total acres
58	**3,706**

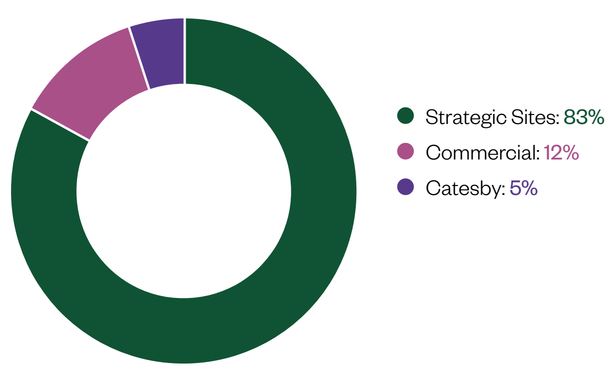
Commercial

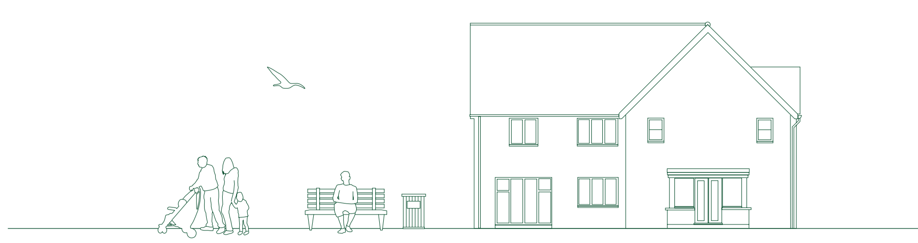
Our commercial sites comprise a small number of bespoke city centre developments targeting de-risked shorter-term returns.

No. of sites	Total square footage
3	**611,000**

Read more in our operating review on pages 24 and 25

Portfolio value by segment





Keeping going, keeping growing... in this most difficult of years

"The business has come a very long way since listing in 2014 but none of this would have been possible without the sustained support of shareholders and other stakeholders.

ALAN DICKINSON —
NON-EXECUTIVE CHAIRMAN

Commercial activity pales into insignificance against the backdrop of the global pandemic that has made this last financial year the most difficult of years. There has been no playbook to be pulled to show either Government or Business how to deal with the crisis we have had to face. Risk Management Frameworks that included a pandemic as a key risk have proven woefully inadequate. Many businesses have failed or are in peril as a consequence of the imperative to control the virus and to save lives.

And yet, the crisis has also revealed managements and businesses that have been both strong and agile – able to adapt at speed to revise either operating or business models or, perhaps, both. At Urban&Civic, management responded at great speed to protect the business and its staff and not only to keep the business going but also to take advantage of further opportunities as they arose. The Company's business model was designed to invest and develop for the long term by ensuring resilience through difficult times. The last year has been the first in which the policies – on low gearing, minimum payments from strong housebuilder customers and Strategic Sites away from big cities and in areas of strong long term demand – have been tested to the full and found to be prudent and positive.

The key testimony to this came when, after the first lockdown, house sales on our Strategic Sites immediately resumed and at record levels and with no reduction in prices. Support from Homes England enabled Urban&Civic to continue to develop our sites so our housebuilders could start again quickly to meet the needs of would be buyers.

Whilst the world is still some way away from defeating the pandemic, it is increasingly clear that there will eventually be a "new normal". A greater desire to live outside of big cities in the sort of areas being developed by Urban&Civic is very likely to be a part of that along with different ways of working. The demand for housing in this country has not reduced but, if anything, the need is even more urgent.

It takes five or six years to create a strategic site and invest in its initial infrastructure and 15 years to build it out to generate the returns for that investment. This requires very long-term equity finance which can be a challenge to fund in the public markets. The Board was mindful of this in evaluating the offer from the Wellcome Trust in the light of the substantial pipeline of opportunities available to Urban&Civic as a result of its success as the leading Master Developer.

The substantial cash premium offered and return to our existing shareholders today against the uncertainties of being able to realise Urban&Civic's potential was persuasive in our recommendation of the offer. Wellcome has committed to support the further expansion of the Urban&Civic business.

The values that have guided Urban&Civic since the outset guide us still. Throughout the challenges of 2020, our team have continued to deliver quality with innovation, integrity, partnership and passion. I am grateful to them and to all our stakeholders. The business has come a very long way since listing in 2014 but none of this would have been possible without the sustained support of shareholders and other stakeholders. The business is extremely well placed to make its mark by helping to materially reduce the country's housing shortage in a sustainable way and in accordance with its values as the leading Master Developer.

Alan Dickinson
Non-Executive Chairman
4 December 2020

Case study

From away day to in day – Innovation and adaptation

Internal communication surveys have always highlighted the annual U&C away day as a highly valued communications channel by staff, with 89 per cent of respondents rating the 2019 away day as good or excellent.

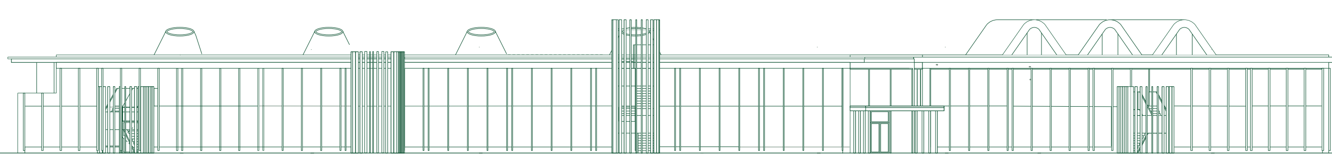
The day would normally be based on one of our sites and feature company updates from across the business, along with external speakers on key themes. The 2020 away day was scheduled to take place in September but it was clear it could not follow the usual format.

The away day team, with support from EMC, more than rose to the challenge delivering a cost effective live and pre-recorded three hour broadcast over Microsoft Teams to the entire business wherever they were based.

Content was supplied by a range of staff from across the Company; including updates on finances, the appraisal process, a cooking with core values segment and strategic site updates. Robin and Nigel demonstrated how well they know each other after 30 years and Richard Coppell led the discussion on Modern Methods of Construction and build to rent with guest contributions from TopHat and Savills.

Joh Thomas was our very own Jeremy Paxman, whilst Katie Yates anchored the entire broadcast. Behind the scenes Harry Stewart, Paul Cutler and James Scott worked on design and production.

The pandemic has created many challenges but also resulted in much innovation with elements of the in day being woven into future away days when we are all able to gather together in person.



Much has been achieved over ten years but there is still more to do

"Our shareholders have been ever questioning but always with us. Many have become friends.

NIGEL HUGILL —
CHIEF EXECUTIVE

Introduction

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

Urban&Civic was established in the teeth of the last recession and has built a strong and burgeoning reputation. I remain confident that the model is resilient. Our immediate response to the challenges brought about by Covid-19 has been to seek out new acquisition opportunities whilst maintaining, on occasion even accelerating, infrastructure investment.

Notwithstanding, much of the existing momentum derives from platform advantage attaching to our position and standing as the leading Master Developer in the UK. Falls in domestic Real Estate indices and the Urban&Civic price prior to the Wellcome offer impacted directly upon the ability of the Company to exploit that advantage. A further consideration is that the pandemic is causing timelines on the adoption of revised Local Plans to be put back. It may also be that the level of future housing requirements becomes reappraised or, at least, deprioritised for a while. The structural undersupply in new residential planning consents in South East England is such that those administrative delays will not last forever but the slow down could become counted in years and not just months.

Recommended Offer from Wellcome

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

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

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

The acquisition affords the potential for further growth via additional strategic projects and partnerships attracted by the specific business model created by Urban&Civic as endorsed by one of the largest charitable trusts in the world.

Wellcome is a property expert and has a formidable record in early-stage identification of alternative asset class investment. We know each other well as existing partners on the development of Manydown with Basingstoke and Hampshire Councils. We share similar values in generating commercial reward through the creation of life enhancing places. The introduction of additional patient institutional capital is a key component of successful large site delivery. We have seen the first stirrings, most noticeably with Legal & General increasing strategic investment allocations and large sized international investors moving heavily into the related build to rent market.

Summary of 2020 results and evaluation of the impact of the pandemic

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

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

House sales recovered after July across all projects in delivery but not sufficiently to compensate for what was essentially a four-month interruption between March and June. As a consequence, realisations for the year to 30 September totalled 844 units, compared with 665 for a full 12 months last year.

Moreover, the trend remains upward: reservations in the fourth quarter from July to September were approximately 29 per cent above pre-lockdown levels in January through March. Reservation prices remain at or above pre-lockdown averages across all five sites in delivery.

There is the possibility that conditions become harder as unemployment bites through the winter but my expectation is otherwise that the previous pattern of asset growth will be restored. Contracted forward receipts as at 30 September totalled £101.6 million on already serviced plots. Minimums represented 2.7 years' sales at an average premium of 70 per cent to existing book.

The large site discount increased to 142p per share, up from 135p 12 months previous. The difference is explained substantially by new licence agreements signed at Alconbury in the first half of the financial year and movements out in discount rates from last September to reflect heightened uncertainties.

Particular points of note

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

Zone 2 Earth movement works, Priors Hall – May 2020

Particular points of note continued
We continue to work safely in maintaining infrastructure investment, notably on first phase enabling works for Zones II and III at Priors Hall, Corby and on our schools programme, which must now be the longest own account list in the country. The primary school at Wintringham, St Neots, has welcomed early transferring pupils, ahead of first housing completions by Christmas. Last month, the Secretary of State for Housing, Rt Hon Robert Jenrick, formally commenced the build of a new primary school at Middlebeck, in his Newark constituency, for opening in September 2021. The secondary school at Houlton, Rugby, remains on schedule for September 2021 opening. Contractors have been instructed for the new secondary education campus at Alconbury for opening 2023/24. Preparations are being made for the first primary school at Waterbeach, where initial infrastructure works have already commenced.

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

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

Large scale approvals such as Manydown and the Key Phase 1 of Waterbeach have passed the virtual test. The second half of the revised planning applications at Priors Hall, increasing overall numbers and altering the weighting in favour of neighbouring East Northamptonshire, comes before Corby Borough Council later this month. Catesby enjoyed a stellar run with four consecutive applications approved by virtual committees in June.

Case study

Coronavirus response at Alconbury

Alconbury had just launched its spring calendar of activities when lockdown commenced. The response from the community team was threefold:

Protect: Risk assessments were quickly undertaken and specific spaces closed in line with Government guidance. Signs were erected and events were arranged which ensured people knew the green links and public open space were open, with maps produced to support people to explore locally.

Support: With many new residents, the team produced information booklets and cards for people to put in windows or through neighbours' doors if they needed help or could offer it. Our Community Development Lead worked with residents to mobilise a Mutual Aid Group which could respond to the needs of families living at Alconbury. Our team also supported the community shop, Swynford Stores, to move its offer online with some speedy website development, which enabled weekly deliveries to be made by the team.

Engage: The team had to adapt quickly to keep information flowing and events happening throughout lockdown. We reworked the quarterly Resident Forum gathering into an online event with pre-recorded video updates, presentations and live Q&A sessions. This medium proved so popular it will continue post-Covid-19. Planned events like the Easter egg hunt, summer fair and Halloween were turned into trails people could take in their own time, with prizes for competition winners left on doorsteps as part of the monthly updates given to all homes. While the café and gym had to be closed during lockdown, fitness sessions were held on the Watch Office Green and in the community park and three nights a week pop-up food vans offered residents a range of tasty cuisines. While the new community library – which had only opened in February – was forced to close, residents were able to enjoy a reading group, with books sent out from the library by the community team. Focused events and activities celebrated Healthy Eating Week with online recipe and cooking courses, and a community quiz was hosted to raise money for the school's Friend Group.

Alongside the support for residents, U&C helped out with the national effort, providing space on site at Alconbury for an emergency centre for food and PPE distribution, which continues to support vulnerable families across the county. Alongside that, in the early days of the crisis, a collection was held of PPE across the housebuilders and contractors to support local emergency service workers, with a cake collection providing a big thank you to the teachers at the school.

There were many individual acts of spontaneous kindness and support which helped build community resilience and good neighbourliness, including a call for help from a young couple with a newborn baby who feared they would struggle to get nappies. They were overwhelmed with the donated nappies and equipment from neighbours which they found on their doorstep when they got back from the hospital.

However, it is not all one way. Time has been lost against programme elsewhere through administrative interruptions, notably at Grange Farm, which will open up a second sales front at Alconbury, and at Bowmans Cross, which requires release from the Green Belt in Hertfordshire. That release is predicated on the adoption of a new Local Plan, the preparation of which has been delayed and is not now expected for public examination until early 2022. We have made representations on the Planning White Paper published in August, which as drafted risks undermining important presumptions underpinning large project delivery.

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

Build to rent

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

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

Catesby

The impact of the second lockdown implemented in November remains to be seen but the Catesby picture in late summer through to autumn remained generally encouraging. Contrary to mid-year expectations, housebuilder demand for land parcels in good locations has been such that realisations have recommenced, with a first post-lockdown sale completing just after the Group financial year end. Catesby currently has a further four consented sites awaiting local authority finalisations.

Case study

Wintringham Primary Academy

The first of two brand new schools opened this year at Wintringham. Set to be the heart of the community, Wintringham Primary Academy initially opened in September 2018 at The Round House Primary Academy in Loves Farm and has since made the move to its new home at Wintringham in November 2020.

Designed by architects DRRM, this three-form entry school was inspired by forest school principles. Classrooms enjoy landscape views on two sides, centred around an exceptional woodland grove, whilst also having views out towards the surrounding landscape, bringing nature right into the classroom. The woodland grove is central to the learning ethos of the school and can also be used as an outdoor teaching space.

In order to really bring to life the exceptional design and build of the new school, we commissioned a designer and web developer to work together to create an interactive model, enabling users to take off the roof in order to explore both the internal and external design, whilst being able to fully engage with the rationale behind the design and forest school concepts.

This model strives to not only effectively engage users in providing key information about the brand new school, but to translate the lengthy design documents into a much more playful and digestible format for all to explore.

It is also consistent with the wider site-wide marketing and interactive map which has increased dwell time on the website: www.wintringham.org.

Catesby continued

Again, average contracted and indicated prices are at least matching pre-lockdown expectations.

Total promoted pipeline of homes for which consents have been applied or applications are in the course of being worked up totals a record 15,000 units. The August White Paper proposals are generally favourable for Catesby.

The clear recognition that the shortfall in planning consents against demand is restricted to the South East and the southern part of the East of England ought to inform local policy and will assist in strengthening targets. The commitment remains to move towards 300,000 new homes a year. That aspiration can only be approached by building more homes where the gap between demand and supply is widest. Criticising the application of algorithms is only to shoot the messenger. Catesby benefits from being seen to be part of a planning expert organisation with strong financial backing; weaker and less technical land promoters look set to continue to struggle.

Maintained commitment to a broadening range of stakeholders

Urban&Civic is bound by a collective determination that business results and positive societal and environmental impact can be mutually reinforcing.

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

Last year we explained that we were moving towards a Sustainability Framework that centred around five capitals.

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

Outlook

Demand is holding up well and the immediate outlook remains good. There has been a marked improvement in conditions from the interim commentary in June, with good performance from all five Strategic Sites in delivery. Reservations in the fourth quarter from July to September were approximately 29 per cent above pre lockdown levels in January through March.

Reservation prices were at or above pre-lockdown averages across all five sites.

The picture for Catesby was similarly encouraging, with indicated prices at least matching pre-lockdown expectations.

As part of the offer announcement, we were required to comment right up to date. The last six weeks have been quieter in terms of new reservations but this more likely reflects school holidays and a second lockdown than any immediate change in housebuyer demand. Our projects in delivery are back towards three years forward sold following a new licence agreement with underwritten receipts at the equivalent of 90 per cent of current average house prices in areas of good affordability.

We share an element of exposure to any falls in new house prices but the structure of our licences collars current downside risk to an average of not much more than 10 per cent. Minimum commitments ensure that absent sales, cash receipts are delayed six to nine months but not lost.

Topping out of Cambridgeshire County Council's new HQ at Alconbury – October 2020

> The strength of the Wellcome Trust's backing will help drive accelerated delivery and make us hard to beat in securing new projects when many around are losing their nerve.

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

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

On the basis of experience of the first lockdown, no materially negative impacts are anticipated over the longer term from the additional Government restrictions that came into force on 5 November 2020.

Rather, the new restrictions may act further to consolidate a rethinking of housebuyer priorities to the importance attached to more space, walking children to school, access to green spaces and reliable broadband that is already working in favour of our projects and business model. An additional practical consequence could be to reduce the immediate availability of newly consented residential applications in supply constrained areas, which would be to our marginal further advantage in the first few months of 2021.

The Master Developer model is designed to run through economic cycles. Recessions do not last 15 years, unlike our projects.

Ground breaking for the first primary school at Middlebeck – September 2020

We face the future with confidence and the strength of our market positioning. I predict that a direct and stronger alignment between a Government push for green recovery, renewed investor ESG focus and rethought homebuyer priorities will all work to the eventual advantage of our business model. Meanwhile, large site discount + minimums + Homes England funding provide triple layers of defensiveness for projects in delivery. On the other hand, necessarily the business is laying down infrastructure now for five years' time. That is tough for the stock market to reward positively, given still prevailing anxieties.

Dividend

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

Huge thanks

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

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

Salus and huge thanks to all.

Nigel Hugill
Chief Executive
4 December 2020

1 **BUSINESS MODEL** — PAGE 14

Resilient

investment proposition

Our business model for the delivery of sustainable large scale communities is proven, economically resilient and fully scalable.

2 **MASTER DEVELOPER** — PAGE 16

Diverse

Master Developer product

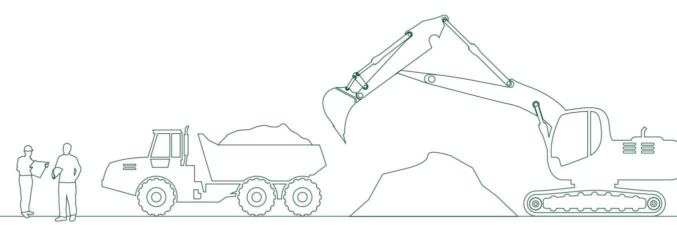
Our serviced land parcels are attractive to SME and national housebuilders alike as well as the increasingly diverse housing delivery market including PRS and affordable providers.

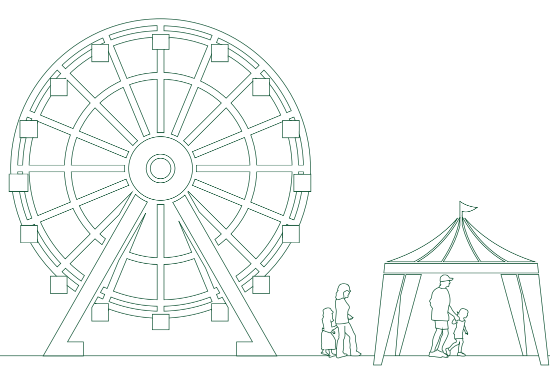
3 **STRATEGY** — PAGE 18

Achievement

of our strategic objectives

Our strategic objectives are fully aligned with our purpose, vision and values and we are meeting them.



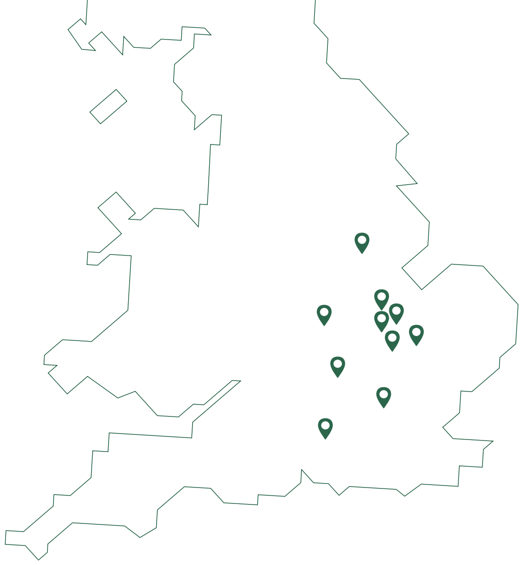


4 **STAKEHOLDER ENGAGEMENT** — PAGE 20

Strong

stakeholder relationships and strategic partnerships

Our stakeholders are an essential part of business and we are proud of the relationships we have built with them.



5 OPERATIONAL REVIEW — PAGE 24

Unique

portfolio of sites

Our portfolio of ten large scale sites with six now in active delivery is unique in the market and has been assembled in ten years.

6 FINANCIAL REVIEW — PAGE 26

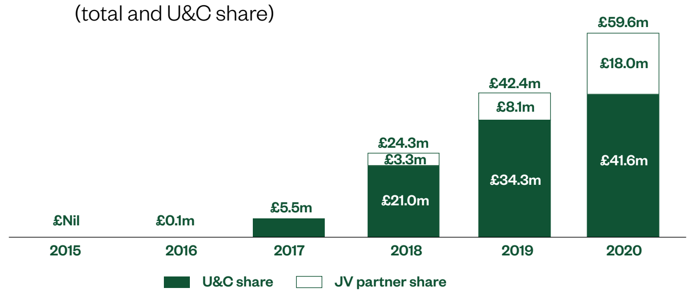
Positive

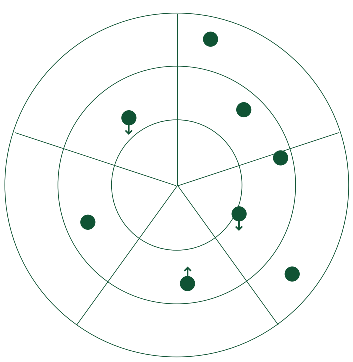
realisations

Residential sales equivalent to 844 plots (including joint venture partner share) were made in the year – generating £41.6 million cash for the Group.

Cash flow generation from plot completions

(total and U&C share)





7 RISK REVIEW — PAGE 38

Robust

risk management

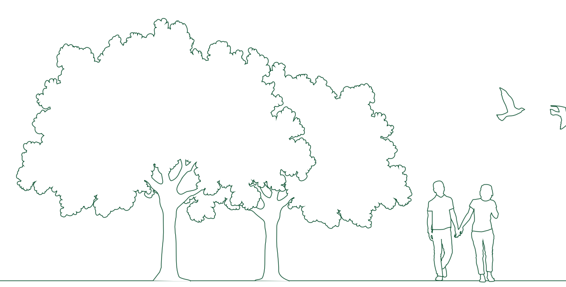
Our approach to risk is integral to the entire business and operates from both top down and bottom up to establish a clear assessment and management process.

8 SUSTAINABILITY — PAGE 48

Sustainable

value creation

Our sites give us the opportunity to make a real and sustainable difference to their communities and the wider environment and we are constantly working to maximise that beneficial impact.



Resilient
investment proposition

Our key resources

To generate serviced land parcels on large scale Strategic Sites where our customers want to build and where their customers/employees want to live and work requires a number of key and consistent ingredients.

Land
Large scale unbroken blocks of land within 100 miles of London are the essential foundation of our Master Developer model with smaller scale sites targeted by our Commercial and Catesby businesses.

Employees
Our central team of experts provides strength throughout all elements of acquisition, funding, planning, development, project management and estate management.

Funding
Our Strategic Sites and Catesby business are underpinned by equity investment and long-dated funding provided by Homes England.

Partners
Large scale sites require long-term trusted partnerships with a wide range of stakeholders. Our hard earned reputation makes projects progress more quickly and smoothly.

Leadership
We consistently search for better, more efficient and more sustainable ways of doing things, and are proud to be judged by our quality and stakeholder support.

Read more about our Master Developer product on pages 16 and 17

Our strategic objectives

We have clear strategic objectives which emerge from our vision, values and purpose. Our ability to meet these objectives throughout economic cycles demonstrates the resilience of our business model.

1
Securing additional Strategic Sites/consents

2
Accelerating the volume of serviced residential and employment parcels for the market

3
Sustaining and enhancing the quality of placemaking

4
Identifying and delivering further trading opportunities

5
Delivering returns for shareholders and other stakeholders

Read more about our progress against our strategic objectives on pages 18 and 19

Our stakeholders

We are a stakeholder focused business committed to achieving mutually beneficial solutions to the challenges and opportunities presented.

Shareholders
Our shareholders include highly experienced investment funds and private investors with an interest in the UK real estate market.

Employees
We maintain an open and inclusive working environment and encourage strong links between the workforce, management and the Board.

Customers
We work with national and SME housebuilders and housing associations to bring forward quality homes across our sites as well as exploring new and innovative approaches with emerging providers.

Suppliers and contractors
We value the flexibility and innovation that comes from being a trusted client of our principal contractors, consultants and utility companies.

Partners
Our partners include local authorities, landed estates, Government bodies, Homes England and investment funds.

Local communities
Ongoing engagement ensures that our investments benefit local communities through opportunities, partnerships, jobs and training.

Government and regulators
We work with the Government, Government agencies, local authorities, etc. to deliver quality homes in highly sustainable environments.

Read more about our stakeholder engagement on pages 20 to 23

Reinvestment and reputation

Underpinned by our values: Quality Integrity

Our portfolio

Our Strategic Sites are at different stages of the delivery process and therefore require inputs, resourcing and challenge. Our model is structured to address this evolution and is fully scalable as further sites are added.

Project phase

- Planning and design work
- Application submission
- Planning consent
- Infrastructure
- First residential delivery
- Money in

Strategic Sites

- Calvert
- Tempsford
- Bowmans Cross
- Manydown
- Waterbeach
- Wintringham
- Middlebeck, Newark
- Alconbury Weald
- Houlton, Rugby
- Priors Hall

Supported by our wider portfolio:
Catesby and Commercial

Read more about our portfolio in our operational review on pages 24 and 25

Financial outcomes

By meeting this demand, we create financial returns for our investors over the long term.

Contracted minimum receipts
£101.6m

Plot completions
844 plots

Cash generation from plot completions
£59.6m
(U&C share: £41.6m)

Gross profit
£12.7m
(including U&C share of joint ventures)

Dividends
Nil

EPRA Nav per share
343.2p

Wholesale discount
142p

Read more in our financial review on pages 26 to 34

ESG outcomes

We deliver great places to live in areas where there is a high demand for housing whilst adding sustainable value. This year we have achieved:

Physical
Net reduction in our operational carbon emissions over a 2019 baseline
9%

Social
Average Considerate Contractors Scheme score by contractors employed by Urban&Civic
43 points
(out of 50)

Economic
% by total value of direct contracts placed with local contractors
53%

Natural
Average biodiversity net gain across six active Strategic Sites
6.9%

Human
% of contractors and housebuilders represented at monthly project health and safety meetings
65%

Read more about our ESG capitals on pages 48 to 63

Reinvestment and reputation

Passion | Partnership | Innovation

Diverse

Master Developer product

Urban&Civic converts large blocks of unconsented raw land for which there is an extremely limited market into oven ready parcels of fully serviced land for which there is both a mature and growing market.

We de-risk land acquisition and planning, deliver a highly sustainable green and grey infrastructure framework, take responsibility for community facilities, community relationships and placemaking and thereby create a serviced land product in prime locations which allows housebuilders to do what they do best but even better and faster.

The predominance of our serviced land contracts established a low upfront capital option for housebuilders whilst allowing Urban&Civic to share in the proceeds of every home sold as well as guaranteeing us an established forward income stream.

This structure is attractive to all sizes of housebuilder as well as new types of housing delivery vehicles entering the market.

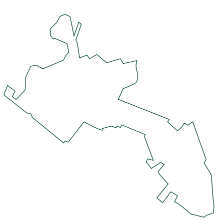
The serviced land parcel product is also available for outright purchase for housebuilding or commercial delivery and Urban&Civic is exploring investment market demand for the delivery of build to rent housing to further diversify market demand and absorption rates.

All developers of Urban&Civic serviced parcels benefit from highly professional and impartial site management and security, established and innovative jobs and skills programmes, meaningful community engagement opportunities, site-wide marketing and a consistent and repeatable contractual offer across all Urban&Civic sites.

Master Developer:

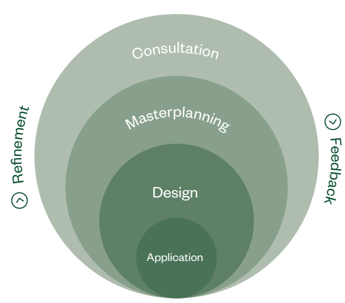
Raw land

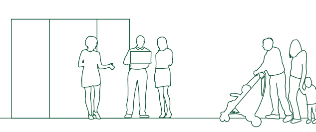
Large blocks of land acquired directly or through partnerships



Planning

Application of a flexible and innovative planning structure

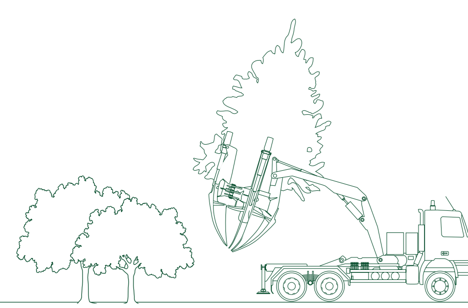




Delivery

Green infrastructure

Early delivery of a significant and sustainable green infrastructure framework



What the Master Developer delivers on and off a serviced land parcel:

Off parcel

- Site-wide quality
- Established green infrastructure
- Site-wide placemaking and marketing
- Discharge of site-wide S.106 obligations
- Design and project management assistance
- Established planning framework
- Jobs and skills programmes
- Further serviced parcels available
- De-risked and ready to go

On parcel

- Consistent contractual terms
- Oven ready land quality
- Design code
- Full utility provision
- Health and safety framework

Grey infrastructure

Creation of pipes, wires, roads, cycle lanes and pathways

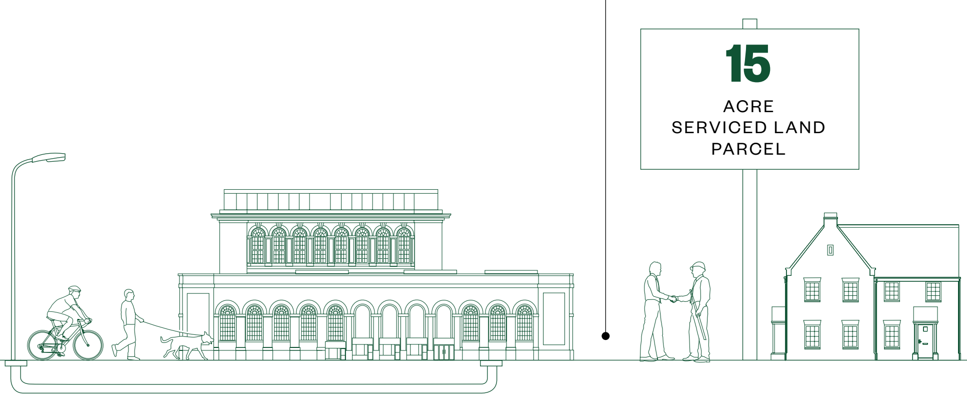
Community infrastructure

Establishing quality via the delivery of community facilities

Customers

Housebuilders add the homes, businesses add the commercial spaces and investors acquire income generating assets.

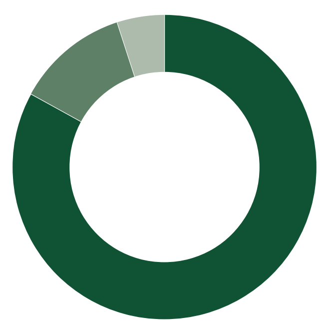
Residential customer base increasingly diverse and includes SME and national housebuilders, build to rent investors, affordable housing and sheltered accommodation providers.



Returns

Financial dividends for our housebuilder customers and shareholders (through faster monetisation of planning consents) and social dividends for our homeowners and other stakeholders.

Our porfolio (see page 24A)



- Strategic Sites: 83%
- Commercial: 12%
- Catesby: 5%

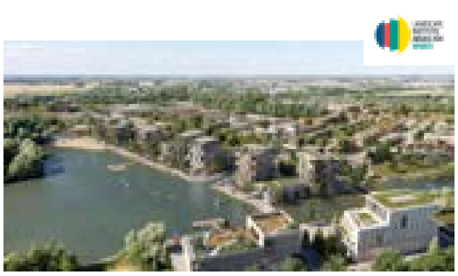
Achievement

against our strategic objectives

2020 has been an exceptional year for a number of reasons. Despite the impact of the pandemic we have been able to meet the vast majority of our strategic objectives which reinforces the resilience of our model, the commitment of our stakeholders and the strength of our product.

Dollman Common, Houlton – 2019

Catesby Marston Vale Family Fun Day – 2018



Excellence in Masterplanning in Urban Design Award – 2020

1

Securing additional Strategic Sites/consents

As the market leading Master Developer for the delivery of Strategic Sites we continue to focus on identifying and promoting further sites within 100 miles of London, predominantly through off-market negotiations and through public procurement.

Progress by the end of 2020:

- The completion of options at Tempsford has secured more than 2,100 acres in a highly strategic location midway between Cambridge and Milton Keynes identified as a prospective development node within the Oxford to Cambridge arc.
- At Bowmans Cross (formerly known as Tyttenhanger) we have progressed technical assessment, masterplanning and stakeholder engagement. Planning performance agreements have been secured with the Borough and County Councils.
- Agreements were completed in July with Basingstoke and Dean Borough Council, Hampshire County Council and the Wellcome Trust to bring forward 3,500 homes at Manydown to the west of Basingstoke.
- Resolutions to grant outline planning for Manydown and revised Zone 2 and 3 outline planning permission at Priors Hall, Corby, were achieved in July and November respectively.
- Waterbeach won the Landscape Institute 2020 Award for excellence in Masterplanning and Urban Design.

Objectives for 2021:

- Secure an additional strategic site from a number of active negotiations.
- Following identification of Bowmans Cross as a strategic site within Hertsmere Borough Council's emerging local plan, submit a hybrid planning application across the site for c.6,000 homes.
- Complete the section 106 agreements and secure outline consents at both Manydown and Priors Hall.
- Advance the promotion of Calvert and Tempsford through local and national channels.
- Continue to engage with and assist central Government with the evolution of the planning system.

2

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

The combination of our own capital and additional funding provided by Homes England and the Department for Education continues to allow us to accelerate the delivery of sustainable green, grey and community infrastructure across our Strategic Sites, bringing forward additional points of sale ahead of those previously appraised.

Progress by the end of 2020:

- Following approval of both the first key phase and green/grey infrastructure reserved matters, works have commenced at Waterbeach.
- Significant infrastructure works to establish the development platform were undertaken on Zone 2 of Priors Hall during 2020 and continued during the lockdown given their ability to be managed in accordance with Government guidelines.
- Contracts were entered into for an additional 1,017 units across 8 serviced land parcel releases to housebuilders across Houlton, Middlebeck, Wintringham and Priors Hall.
- A proposal has been put to the market to identify an investment partner for the delivery of build to rent homes across a number of sites.

Objectives for 2021:

- Achieve Key Phase and reserved matters approvals necessary to facilitate start on site at Manydown.
- Achieve Key Phase and reserved matters approvals to commence delivery of serviced parcels at Zone 2 of Priors Hall.
- Achieve additional serviced land parcel releases to housebuilders at Alconbury, Houlton, Middlebeck, Wintringham, Waterbeach and Priors Hall.
- Identify a strategic build to rent investment partner and commence delivery of homes for the build to rent market.

3

Sustaining and enhancing the quality of placemaking

With six strategic sites now in active delivery, the sustainable credentials and quality driven placemaking continue to be recognised by the market as a point of differentiation for stakeholders and our housebuilding customers.

Progress by the end of 2020:

- We have made substantial progress with the delivery of schools across our portfolio with:
  - the DRMM designed new primary school at Wintringham being completed this year;
  - the Secretary of State commencing the delivery of the new primary school at Middlebeck;
  - the Houlton School (Houlton's secondary school) being delivered on time for opening in 2021; and
  - Morgan Sindall having been selected to deliver the Alconbury Education Campus (secondary school, sixth form and special free school) to open in September 2023/24.
- We have progressed the development of our Sustainability Framework to formalise our commitment to environmental and social improvements across our portfolio of Strategic Sites in discussion with our stakeholders.
- Our teams have worked with the communities on and around our sites to help support community initiatives during the pandemic as well as maintaining access to and increasing the quantum of green infrastructure.

Objectives for 2021:

- Complete construction of the primary school at Middlebeck and the Houlton School at Houlton.
- Open additional green spaces at Wintringham, Houlton and Middlebeck and complete construction of the cricket pavilion at Alconbury.
- Complete construction and opening of the Sainsbury's anchored district centre at Priors Hall and the Co-op food store at Houlton.
- Launch and publish Urban&Civic's Sustainability Framework.

4

Identifying and delivering further trading opportunities

Given the completion and/or sale of our legacy commercial assets we will now focus resource through our Catesby business to target shorter-term projects across a wider geography for which there is an identified market demand on a capital-efficient basis.

Progress by the end of 2020:

- Covid-19 has delayed the completion of Manchester New Square given its high density metropolitan location but this is expected by spring 2021. Flat sales have continued and the scheme is now 46 per cent forward sold.
- Catesby is continuing to build pipeline with terms settled on six new land promotions prospectively totalling 1,100 new homes. All land parcels are sold on its sub-strategic site at Myton Green, onsite infrastructure works are complete and Section 278 offsite works have a target completion of spring 2021.

Objectives for 2021:

- Complete construction of Manchester New Square.
- The sale of the Deansgate site in Manchester.
- Focus shorter-term investment opportunities through Catesby and therefore redefine this objective accordingly.

5

Delivering returns for investors and other stakeholders

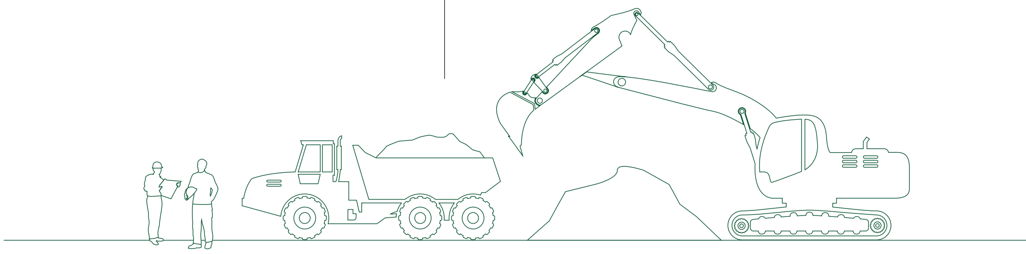
Our business model has continued to target growth in EPRA net asset value metrics to underpin shareholder return whilst delivering a real difference to the communities in which we are working.

Progress by the end of 2020:

- Against a target for plot completions and land sales equivalent to 1,200 units generating total cash of £80+ million (Urban&Civic share: £60+ million) we achieved 844 units generating total cash of £59.6 million (Urban&Civic share: £41.6 million).
- Despite the pandemic, house sales have now commenced at Wintringham with strong demand, consistent with other sites.
- Two new infrastructure funding agreements were secured at the onset of lockdown in March. The first was a £60.6 million infrastructure facility at Waterbeach from Homes England and the second was a £35.6 million repayable grant from the Department for Education to fund the early construction of a new secondary school at Houlton.

Objectives for 2021:

- Infrastructure funding to be secured at Manydown to accelerate delivery.
- Target plot completions and land sales equivalent to 1,000 units generating total cash of £70+ million (Urban&Civic's share: £50+ million).



Strong

stakeholder relationships and strategic partnerships

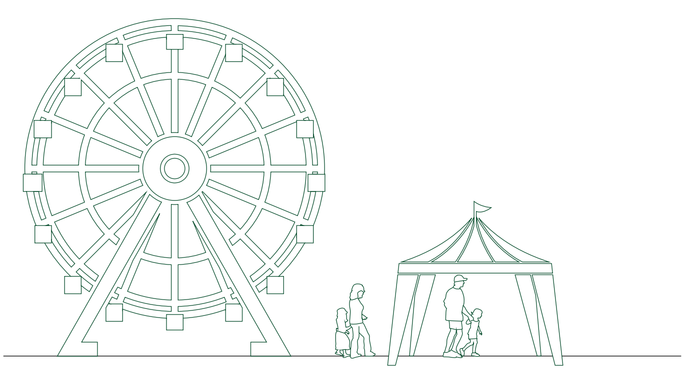
Broadcasting our socially distanced half year virtual presentation – 2020

The long-term success of our business is critically dependent on the way we work with a wide range of stakeholders. From our earliest days, we have believed in doing things right and creating value for all our stakeholders, not only in the way we do business but in the places we craft.

This has never been more true than during 2020 with the pandemic and lockdown creating hereto unforeseen impacts. Testing times can either make or break relationships and Urban&Civic will emerge from 2020 stronger due to the bonds we have continued to build with our stakeholders and the greater understanding we have of their needs.

Section 172 statement

The Directors continue to have regard to the interests of the Company's wider stakeholders, in accordance with section 172 of the Companies Act. The content on stakeholder engagement on pages 20 to 23 highlights key actions in this area of which the Board has full transparency through both direct engagement and internal reporting. Further details on how the Directors' duties are discharged and the oversight of these duties are included in the governance section on pages 68 to 81.



Shareholders

Our shareholders have always included highly experienced investment funds and private investors with a strong interest in the UK real estate market.

Why have they been important?

Understanding the views of shareholders and explaining how we add value has been essential as we have grown the business and sought to define the role and approach of the Master Developer.

What have they wanted from us?

- NAV growth
- Profit growth
- ESG leadership
- Transparency
- Timely and accurate reporting
- Clear strategy and execution

When have we engaged with shareholders?

There has been regular dialogue throughout the year with shareholders, particularly following publication of half and full-year results. This included investor tours of sites in delivery, update meetings and engagement by the Board.

How we engaged in the year

2020 had limited face to face meetings and site tours but technology allowed a fully virtual half-year presentation and subsequent investor discussions. The Remuneration Committee also consulted with a range of shareholders on remuneration policy. Following the announcement of the recommended offer for the business by the Wellcome Trust there has been further extensive engagement with shareholders as part of the process. It has been extremely positive to hear from long-term shareholders the regard in which they hold the business.

Outcomes

An offer to purchase Urban&Civic has been made by the Wellcome Trust and has been recommended to shareholders by the Board.

Houlton site visit – November 2019

Some of our housebuilder customers on site at Alconbury Weald – 2018

Employees

We aim to maintain an open, diverse and inclusive working environment and encourage strong links between the workforce, management and the Board.

Why are they important?

It is essential for the growth of our business to support and develop all of our employees, to retain experience and broaden our base with new talent.

What do they want from us?

- Fair compensation and benefits
- Comprehensive reward and recognition systems
- Positive work environment, culture and working relationships
- Clear expectations, goals and feedback
- Learning, development and career progression
- Challenging and engaging work
- Positive work-life balance

When do we engage with employees?

Employee engagement is continuous and operates at all levels throughout the business. Formal structures such as the appraisal process and the Employee Advisory Group (EAG) complement regular discussions within teams, across projects and with the senior executives.

How we engaged in the year

Whilst this is discussed in more detail on pages 78 to 79, 2020 has seen further innovation in engagement both in person and via technology. The EAG met five times during the year with attendance by the Managing Director at three of these meetings. The Chair of the Remuneration Committee has also attended to explain and discuss remuneration policy. The appraisal process has been updated following feedback from last year and we have placed clear emphasis on training and health and wellbeing.

Outcomes

Employee retention has remained high at 88 per cent the EAG is now a regular and highly effective forum and 97 per cent of our team were very satisfied or satisfied with internal communications during the lockdown period with 95 per cent stating they were kept well or fully informed.

Customers

We work with a range of national and SME housebuilders and housing associations to bring forward high quality homes across our sites as well as exploring new and innovative approaches with emerging providers and investors.

Why are they important?

As the leading Master Developer, whose product is serviced land, understanding and delivering on the needs of our customers is key to ensuring value, repeat business and attracting new customers.

What do they want from us?

- Integrity
- Serviced land supply
- Quality
- Site marketing
- Jobs and skills support
- Health and safety support
- Equality

When do we engage with customers?

We are constantly engaging with our existing customers in the context of ongoing delivery and with potential customers for future parcels to ensure that our product is optimised to meet their requirements.

How we engaged in the year

We have worked closely with our customers during 2020 to address health and safety and the challenges posed by lockdown. We have supported the demobilisation and remobilisation of housebuilding teams by maintaining an on site presence throughout, with the Board having a particular focus on health and safety issues. As Master Developer we have accelerated civils work to ensure further serviced parcels continue to be brought forward. We have also actively marketed the first phase of Waterbeach which has generated interest from across the housebuilding sector and commenced work with modular producers on bespoke parcels. Most recently, Urban&Civic has put a proposition to the investment market for the delivery of build to rent properties across a number of our sites.

Outcomes

We have completed 8 parcel contracts this year to 7 housebuilders, of which 57 per cent are new customers. Sales levels for a number of our customers have been at record levels post lockdown. 2 housebuilders have been selected to bring forward the first parcels within Key Phase 1 of Waterbeach.

Tree planting at Priors Hall – 2019

HCA away day to Alconbury – 2017

Suppliers and contractors

We work with a broad spectrum of contractors, consultants and utility providers at various stages of the Master Developer process.

Why are they important?
Working at scale and to a consistently high quality across a range of sites means that we value the flexibility and innovation that comes from being a trusted client of our principal contractors, consultants and utility companies.

What do they want from us?
- Certainty of payment
- Regularity of work
- Flexible procurement
- Clear instruction

When do we engage with suppliers and contractors?
We are constantly engaging with our existing suppliers which are often operating across a number of sites. Regular dialogue ensures that they are fully apprised of project and corporate objectives including health and safety, modern slavery and sustainability. We also work with them on joint initiatives where we can leverage our combined involvement to promote employment and training opportunities.

How we engaged in the year
Close working relationships significantly supported our ability to continue delivery across our sites in 2020 and this was a key focus for the Board. As with our housebuilding customers, civils contractors were supported as they evolved their working practices to address pandemic restrictions. Works were continued and payments maintained. Working with our service suppliers we also supported each other's internal training programmes with virtual talks and presentations.

Outcomes
We were able to make significant progress with our civils works during lockdown and even got ahead of programme on a number of sites. Contractors appreciated the strong commitment to and funding of these works and pricing reflected this commitment. Relationships were strengthened at all levels of our respective teams.

Partners

Our partners include local authorities, landed estates, Government bodies, Homes England and investment funds.

Why are they important?
Working with the right partners which value quality and legacy is critical to establishing the alignment which underpins the promotion and delivery of large scale sites.

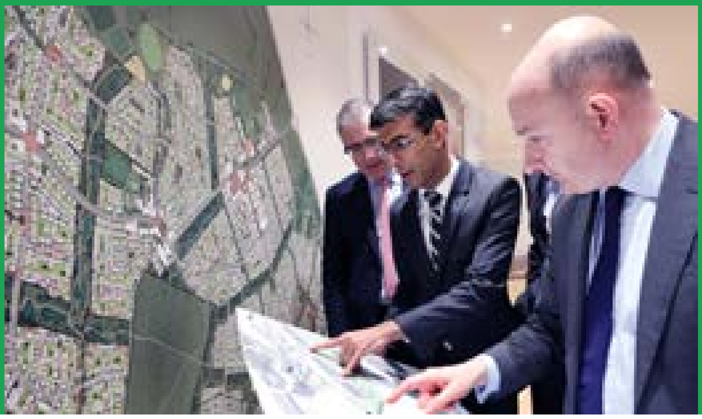
What do they want from us?
- Transparency
- Timely and accurate reporting
- Cost control and efficient budgeting
- Delivery
- Quality
- Legacy
- Recognition

When do we engage with partners?
We have both structured and informal engagement with our partners during the year. Each partnership has a formal reporting mechanism with regular meetings to review progress, discuss options and agree strategy. These are then supplemented with informal updates, site visits and opportunities to share observed best practice. The Board is able to track the progress of these partnerships via our strong linear development and risk reporting.

How we engaged in the year
Whilst site visits and in person meetings were more limited the formal reporting continued without pause and provided, given the diverse and informed nature of our partners, extremely valuable insights into the impact of the pandemic from different perspectives.

Outcomes
The alignment sought through our partnerships was clearly evident throughout the most challenging times of 2020 and highlighted the resilience of our partnership model. Additional funding lines and structures were agreed with a number of partners to counter Covid-19 disruption.

Alconbury Design Enquiry – 2014



Rishi Sunak visits Houlton, Rugby – 2019

Local communities

We passionately believe in the importance of ongoing engagement and ensure that the scale and longevity of our investments benefit local communities through opportunities, partnerships, jobs and training.

Why are they important?

Working with local communities is essential to successful large site delivery, not just at the planning stage but throughout delivery so that we can minimise the impacts and maximise the benefits of the emerging communities.

What do they want from us?

- Meaningful community engagement
- Keep our promises
- Sustainable delivery
- Quality
- Long-term alignment
- Jobs and skills
- Opportunities

When do we engage with local communities?

Across the lifecycle of the project our team actively engages with the local communities initially around our sites and then with the emerging community on site. Early engagement focuses on the proposals and evolves into ways in which we can support community initiatives and ensure communities benefit from investment in jobs and skills.

How we engaged in the year

2020 has been a year of innovation and the strengthening of community spirit. Consultation and engagement for planning applications have moved from in person to online and we have been exploring which options work best for different types of engagement. Our on site teams have also worked closely with the communities on and around the sites to help support them particularly during lockdown.

Outcomes

We have had a very positive response to the commitment of energy and innovation by our teams as evidenced by a number of case studies throughout this report. Most recently we held a virtual stakeholder workshop for over 70 consultees which involved eight breakout groups. Following an in-person session a year ago, this virtual event was highly successful and provided lessons for when we are all able to meet in person again. Community bonds have strengthened considerably and there has been an increased focus on the 'importance of local'.

Government and regulators

We work with the Government, their agencies like Homes England and local authorities. to deliver more quality homes in highly sustainable environments.

Why are they important?

Working at scale means that the proposals we bring forward will have a material impact on the delivery targets of central and local Government as well as the consequential requirements, such as schools, highways and health of a range of statutory bodies.

What do they want from us?

- Sustainable delivery
- Quality
- Timely and accurate reporting
- Long-term alignment
- Jobs and skills
- Meaningful community engagement

When do we engage with Government and regulators?

In addition to the formal planning processes, as the leading Master Developer, we actively engage with national and local Government and wider Government agencies to identify ways in which the planning and delivery of large scale development can be improved.

How we engaged in the year

2020 has seen local authorities move from in person planning committees to virtual ones. A number of our planning applications have been determined in this way and we have supported local authorities as requested. We have also seen the Government consult extensively on changes to the planning system, design requirements and environmental regulations. Senior executives have been involved in working groups for each of these elements and formal representations have been submitted on the Planning White Paper. Our report on greenhouse gas emissions is presented separately as an appendix on page 170 of the annual report and sets out our performance against environmental regulations during the year.

Outcomes

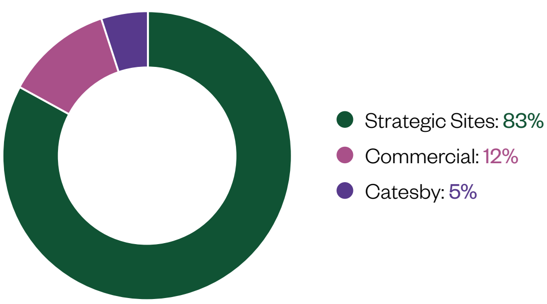
In the main, virtual planning committees have been a real success with only short delays whilst local authorities got themselves organised. The format of a virtual planning committee, when chaired effectively, can often allow for a more objective consideration of the application. We have been impressed with the virtual decision making process seeing both the outline planning permission for Manydown and the Key Phase 1 design code approvals for Waterbeach determined positively. We await the outcome for the wider Government consultation process in the new year.

Unique
portfolio of sites

> As a business, we have been tested but 2020 has fundamentally reinforced the need for the Master Developer approach to strategic site delivery as well as the resilience of our team and our model.

ROBIN BUTLER —
MANAGING DIRECTOR

Portfolio value by segment



2020 has been both a challenging but also a reassuring year. Whilst the pandemic and the consequential economic challenges had an impact, the way in which our team and our stakeholders have all worked together has been inspirational. Technology has played an important part but it has been the way in which the business has lived its values of partnership, innovation, passion, integrity and quality which has really shone through. Case studies throughout this document highlight just some of the examples where we have been able to make a difference. 2020 has fundamentally reinforced the Master Developer approach to strategic site delivery. The resilience of our team and our model has shown their worth.

Across our portfolio of sites in delivery we have been able to maintain pace and even accelerate the civils works during lockdown. These included the land levelling and remediation works on Zone 2 at Priors Hall and the construction of schools and civic buildings at Houlton, Wintringham and Alconbury as well as archaeology and landscape works. Catesby has also made significant progress at Myton Green where it is delivering the core infrastructure. Close liaison between our project management teams and contractors has enabled safe working practices to be rapidly put in place quickly and maintained throughout. Given the physical space to operate, our commitment to funding alongside Homes England and the strong working relationships, these works became commercially attractive for our contractor stakeholders which has then been reflected in the pricing for further works. Metropolitan high density development was more challenging. Working closely with Lendlease we were able to recommence on Manchester New Square during lockdown where the first of three residential blocks has now reached completion.

Equally in the context of planning, we have also been able to make significant progress this year. After a brief pause, to allow local authorities to adjust to digital planning committees, there have been resolutions to grant for 4,654 units including 3,500 units at Manydown and 1,154 units for Catesby. We have also secured approval for Key Phase 1 of Waterbeach together with green and grey reserved matters approvals meaning that works have now commenced on site.

Early stage engagement has also made significant progress such as at Bowmans Cross where we recently held an online workshop for over 70 key stakeholders and have briefed members on our emerging proposals. Even when restrictions ease and in person dialogue resumes, many of the lessons we have learnt about online engagement will continue to be relevant and will help us reach more of the community. We have also continued strategic conversations with key stakeholders in the context of the OxCam Arc around how our sites at Calvert and Tempsford will be able to contribute to the wider spatial ambitions emerging in early 2021.

We have maintained close contact with our housebuilder customers this year both in terms of their on site works and future pipeline. By continuing Master Developer infrastructure throughout we have maintained the progression of placemaking and the future supply of serviced land.

Case study

Major earthworks ahead of exciting new phase at Priors Hall Park

With over 1,300 homes now occupied on Zone 1 of Priors Hall Park, Urban&Civic has materially progressed the strategic earthworks and geotechnical ground improvements on Zone 2 throughout 2019 and 2020. This zone sits to the east of the County Wildlife Site and has recently been granted a revised outline planning consent for 2,000 homes.

The first season of earthworks began in July 2019 when a large fleet of machinery arrived on site, including 24 moxy dumper trucks and 15 large excavators/diggers ranging from 30 to 70 tonnes. The outcome of the whole operation will be to create a development platform without import or export of material. The second season began in March 2020 with the appointed contractor, Buckingham Group Contractors Ltd, able to work safely throughout the lockdown due to the entire operation being undertaken by machinery. Good weather over the spring also enabled it to make up for the time lost due to poor weather at the end of 2019.

Overall the land remediation and preparation will take six seasons to complete with a total of 5.9 million cubic metres of material moved (2.3 million m^3 moved to date). Road, drainage and utility infrastructure will commence in summer 2021 ready for first housebuilder start on site from winter 2021.

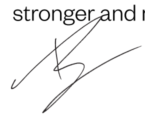
Dean Warman, Operations Director of Buckingham, said "the works on Zone 2 have been a great demonstration of team work – with developer, geo-environmental and civils consultants and contractor all bringing together their respective expertise to provide the most sustainable outcome for the delivery of the development platforms for future housebuilders, returning 150 hectares to reusable land".

This year saw the opening of the new primary school at Wintringham and the expansion of green spaces across all our sites. In 2021 there will be the new secondary school, Co-op and nursery at Houlton and a district centre at Priors Hall, and Cambridgeshire County Council will move into its new HQ at Alconbury. During the course of this year we have entered into 8 contracts with 7 housebuilders for an additional 1,017 units. 3 are repeat customers and 4 are new. The majority of these deals have been concluded since March. The marketing of the first three serviced land parcels at Waterbeach has generated a strong response and we are working to complete arrangements.

With the sites now maturing there is an increasing demand from a greater diversity of housing providers. This is evidenced by the delivery of a care home at Priors Hall, additional affordable housing (over and above Section 106 requirements) at Alconbury and Houlton and 4 new housebuilding customers. We are also working with Top Hat on the delivery of modular construction homes at Houlton which are to be brought forward under our Civic Living brand. We will test the market with 38 units but see this as a significant potential addition to the diversity of supply. Proposals for additional care homes and affordable housing over and above Section 106 provisions are currently under consideration across the wider portfolio.

As part of this increasing diversification and in response to numerous enquiries, Urban&Civic issued a prospectus in October to the build to rent investor market to identify a key strategic partner for build to rent homes across our portfolio. Build to rent has the capacity to not only increase the diversification of supply but also increase absorption rates without cannibalising sales which is a key factor for our model. We would expect this to evolve significantly during 2021 as initial responses have been promising.

Corporately we have continued to strengthen and focus our governance structures to ensure we have full top down and bottom up alignment. During the course of the year we have recruited a Head of Health and Safety to provide further oversight on this vital area and we have materially progressed the formalisation of our instinctive approach to sustainability. The transparency and efficiency of our model is being tested with remote working during 2020 but the combination of technology and corporate spirit continues to rise to the challenge. We are all looking forward to 2021 and I know that Urban&Civic will enter it stronger and more focused than ever before.



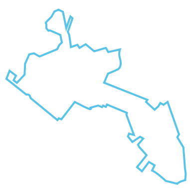
Robin Butler
Managing Director
4 December 2020

Strategic Sites

31,500 consented homes

8 million sq. ft. employment floorspace

Our strategic projects are large scale areas of land for mixed-use housing led development. Whilst a number are owned outright, Urban&Civic predominantly works in partnership with like-minded land owners and investors to deliver significant projects.



Alconbury Weald

Location:
Cambridgeshire

Site appointed:
2009

Receipts received from:
2016

Status:
In delivery
100% interest

Total size (acres)
1,425

Homes anticipated
6,500
including 5,000 consented

Serviced land plots sold, contracted or own account
930

Primary	Secondary
3	1

Employment (sq. ft.)
3,333,000

Open space (acres)
608

2020 progress:

- Construction of Cambridgeshire County Council HQ commences.
- Morgan Sindall selected for the delivery of Alconbury Education Campus.

WINTRINGHAM
ST NEOTS

Location:
Cambridgeshire

Site appointed:
2017

Receipts received from:
2020

Status:
In delivery
33% interest

Total size (acres)
400

Homes consented
2,800

Serviced land plots sold or contracted
750

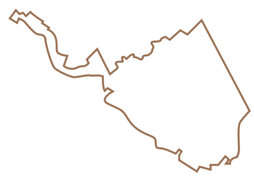
Primary	Secondary
2	0

Employment (sq. ft.)
683,508

Open space (acres)
68

2020 progress:

- Wintringham Primary School completed.
- Cala and Morris Homes commence house sales.



Come home to HOULTON

Location:
Rugby

Site appointed:
2014

Receipts received from:
2017

Status:
In delivery
50% interest

Total size (acres)
1,170

Homes consented
5,952

Serviced land plots sold or contracted
1,323

Primary	Secondary
3	1

Employment (sq. ft.)
1,145,000

Open space (acres)
507

2020 progress:

- Construction of Co-op and nursery commences.
- Construction of Houlton Secondary School commences.

Middlebeck
Newark

Location:
Newark

Site appointed:
2014

Receipts received from:
2018

Status:
In delivery
82% interest

Total size (acres)
694

Homes consented
3,150

Serviced land plots sold or contracted
542

Primary	Secondary
2	0

Employment (sq. ft.)
2,045,000

Open space (acres)
178

2020 progress:

- Construction of primary school commences

Priors Hall
Northamptonshire

Location:
Northamptonshire

Site appointed:
2017

Receipts received from:
2017

Status:
In delivery
100% interest

Total size (acres)
965

Homes consented
4,320

Serviced land plots sold or contracted
833

Primary	Secondary
3	1

Employment (sq. ft.)
269,098

Open space (acres)
395

2020 progress:

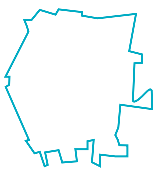
- District Centre commenced and Zone 2 earth levelling works undertaken.
- Resolution to grant for revised outline consent across Zones 2 and 3.

18 new primary schools

5 new secondary schools

2,247 acres of open space

53km of road



Waterbeach Barracks

Location:
Cambridgeshire

Site appointed:
2014

Receipts anticipated:
2021

Status:
In delivery
9% interest

Total size (acres)
716

Homes consented
6,500

Primary
3

Secondary
1

Employment (sq. ft.)
290,625

Open space (acres)
59

2020 progress:

- £60.7 million infrastructure facility secured from Homes England.
- Work commenced on site following Key Phase 1 and green/grey reserved matters approvals.

Manydown
Basingstoke

Location:
Hampshire

Site appointed:
2018

Status:
In planning
25% interest

Total size (acres)
794

Homes consented (resolution to grant)
3,500

Primary
2

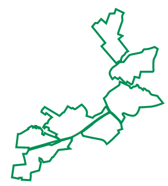
Secondary
1

Employment (sq. ft.)
64,583

Open space (acres)
432

2020 progress:

- Contractual agreements completed.
- Resolution to grant for outline consent.



Calvert
Buckinghamshire

Location:
Buckinghamshire

Site appointed:
2018

Status:
Pre-planning
Promotion and conditional purchase

Total size (acres)
785

Homes anticipated
5,000

2020 progress:

- Ongoing engagement with OxCam Arc proposals.
- Ongoing stakeholder engagements.

Bowmans Cross
Hertsmere

Location:
South Hertfordshire

Site appointed:
2019

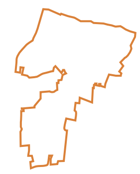
Status:
Pre-planning
Development Management Agreement

Total size (acres)
2,000

Homes anticipated
6,000

2020 progress:

- Ongoing stakeholder engagement.
- Technical assessments undertaken.



Tempsford
Bedfordshire

Location:
Bedfordshire

Site appointed:
2020

Status:
Pre-planning
Option

Total size (acres)
2,113

Homes anticipated
up to 7,000

2020 progress:

- Contracts completed.
- Local plan representations made.

Catesby Estates plc

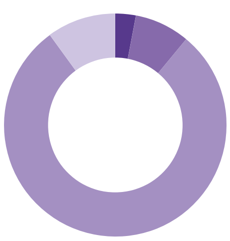
Our Catesby promotions are smaller scale consented and de-risked residential sites of up to 2,000 units in locations of proven housing need, which we sell on to our housebuilding customers.

Catesby has broadened its approach to incorporate infrastructure delivery to unlock the larger scale of sites it brings forward. The revenue created by these developments can be reinvested into our strategic site portfolio.

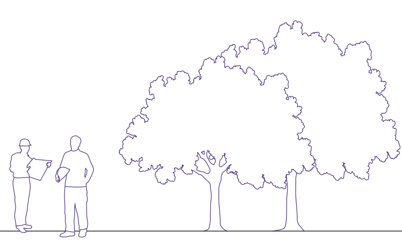
We continue to seek out further unconsented land parcels to promote via discussion with agents and landowners and to utilise the skills of the Catesby team across our business as opportunities arise.

Total acreage:

3,706



- Sold (3%)
- Consented (8%)
- In planning (79%)
- Pre-planning (10%)



Status of sites:

Sold 3%

Scale: **93 acres**

Sites sold: **4**

Consented 8%

Scale: **314 acres**

Sites consented: **10**

In planning 79%

Scale: **2,939 acres**

Sites in planning: **44**

Pre-planning 10%

Scale: **361 acres**

Sites pre-planning: **4**

Who we have sold to:

REDROW

Vistry Group

miller homes the place to be®

Case study

Myton Green, Warwick

Myton Green in Warwick is Catesby Estates' largest site to date and one where the team extended its role beyond traditional promotion to also deliver the site infrastructure, the dualling of Europa Way and the provision of an extensive blue and green public open space which were required to bring forward residential development on the site.

Catesby commenced initial enabling infrastructure work on site in early 2018 with the initial residential parcel delivered by Avant Homes (13.4 acres/up to 200 new homes), followed by Miller Homes (8.7 acres/up to 134 new homes) and then Vistry Group (8.9 acres/up to 135 new homes). The final land parcel was sold to Redrow in February 2020 (17.6 acres/up to 266 new homes) and there are expected to be over 100 residents in occupation by January 2021.

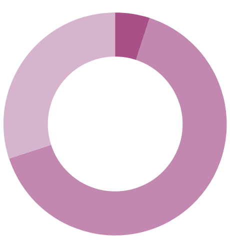
The 25 acres of public open space, including six equipped play areas, was adopted by Warwickshire District Council in November 2020. The wider A452 Europa Way corridor infrastructure works are due to complete in March 2021, which will complete Catesby's involvement in this site. With 4,500 metres of cycleways and footpaths, 10,500 shrubs/hedgerows, 565 trees planted, 30 bat boxes, 20 bird boxes and three hedgehog dens installed, Catesby's commitment to early and high quality infrastructure is self-evident.

Commercial

Completion of the three residential blocks at Manchester New Square was delayed by the lockdown given their higher density, more complex construction. This joint venture with the Greater Manchester Pension Fund accounts for over halfof this segment's £84.2 million value.

Total square footage:

611,000



- Completed (5%)
- In construction (65%)
- In planning (30%)

Manchester New Square

Status of sites:

Sold 0%

Scale:

–

Sites sold during the year:

–

Completed 5%

Scale:

31,000 sq.ft.

Sites completed:

1

In construction 65%

Scale:

394,000 sq.ft.

Sites in construction:

1

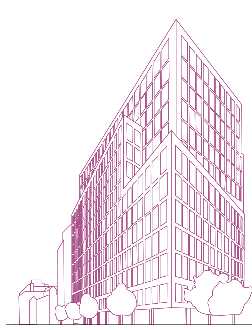
In planning 30%

Scale:

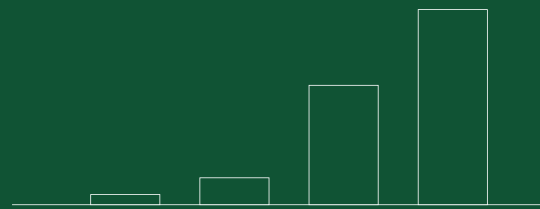
186,000 sq.ft.

Sites in design/planning:

1



Positive
realisations

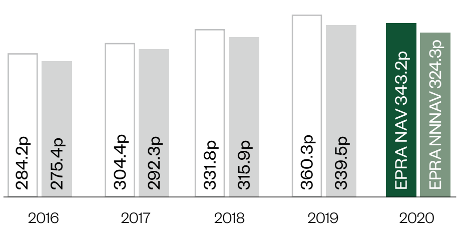


> Residential sales equivalent to 844 plots were made in the year, generating £41.6 million of cash for the Group.

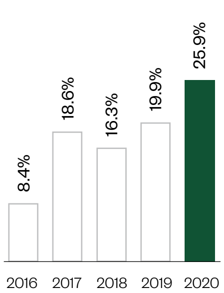
DAVID WOOD —
GROUP FINANCE DIRECTOR

EPRA NAV per share
-4.7%

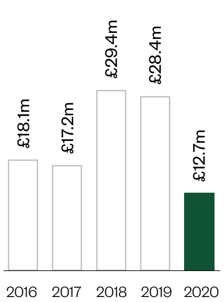
EPRA NNNAV per share
-4.5%



Gearing – EPRA NAV
25.9%



Gross profit
-55.3%



Introduction

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

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

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

Fourth quarter reservations were up around 29 per cent when compared to January to March of this year, which along with continued housebuilder interest in acquiring serviced land parcels and maintained or improving sales prices for both homes and land parcels, has resulted in the Group's independent valuers (CBRE) increasing their valuations relative to the first half, although marking them down overall on 30 September 2019 figures; Wintringham being the exception where sales evidence was in existence for the first time at price levels higher than previous forecasts.

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

Residential sales equivalent to 844 plots were made in the year, generating £41.6 million of cash for the Group. This total is up 21.3 per cent over last year and, although it represents only 69.3 per cent of the £60 million annual cash generation target set in November 2019, this was £6.6 million higher than our revised expectations published in the half year presentation (which can be found on our website).

Key Performance Indicators

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

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

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

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

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

Net Asset Value – EPRA and IFRS

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

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

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

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

A more detailed reconciliation between IFRS, EPRA NAV and EPRA NNNAV is provided in note 22.

Consolidated statement of comprehensive income

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

	Year ended 30 September 2020			Year ended 30 September 2019		
	Group £m	**Joint ventures £m**	**Total £m**	Group £m	Joint ventures and associates £m	Total £m
Revenue	**57.2**	**23.2**	**80.4**	102.1	29.4	131.5
Profit on trading property sales and construction contracts[1]	**10.5**	**2.8**	**13.3**	16.7	7.2	23.9
Rental, hotel and other property (losses)/profits	**(0.3)**	**(0.2)**	**(0.5)**	2.3	—	2.3
Project management fees and other income[2]	**2.5**	**—**	**2.5**	2.9	—	2.9
Write down of trading properties[3]	**(1.9)**	**(0.7)**	**(2.6)**	(0.7)	—	(0.7)
Gross profit	**10.8**	**1.9**	**12.7**	21.2	7.2	28.4
Administrative expenses	**(17.9)**	**(0.5)**	**(18.4)**	(19.9)	(0.1)	(20.0)
(Deficit)/surplus on revaluation of investment properties[3]	**(6.1)**	**—**	**(6.1)**	5.8	—	5.8
(Deficit)/surplus on revaluation of receivables[3]	**(0.3)**	**—**	**(0.3)**	0.9	—	0.9
Share of post-tax profit from joint ventures and impairment of loans to joint ventures	**3.5**	**(3.5)**	**—**	8.0	(8.0)	—
Loss on disposal of investment properties[1]	**(0.9)**	**—**	**(0.9)**	—	—	—
Unwinding of discount applied to long-term debtors[1]	**4.1**	**2.1**	**6.2**	1.7	0.9	2.6
Tax and other income statement movements	**(1.4)**	**—**	**(1.4)**	(5.1)	—	(5.1)
(Loss)/profit after tax	**(8.2)**	**—**	**(8.2)**	12.6	—	12.6

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

Gross profit

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

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

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

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

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

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

Consolidated statement of comprehensive income continued

Gross profit continued

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

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

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

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

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

Administrative expenses

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

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

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

Deficit on revaluation of investment properties

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

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

A Q&A with the Chief Executive and Group Finance Director – 2016

> "The Group currently generates most of its gross profits through the sale of serviced land parcels at its Strategic Sites and also through its land promotion activities.

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

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

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

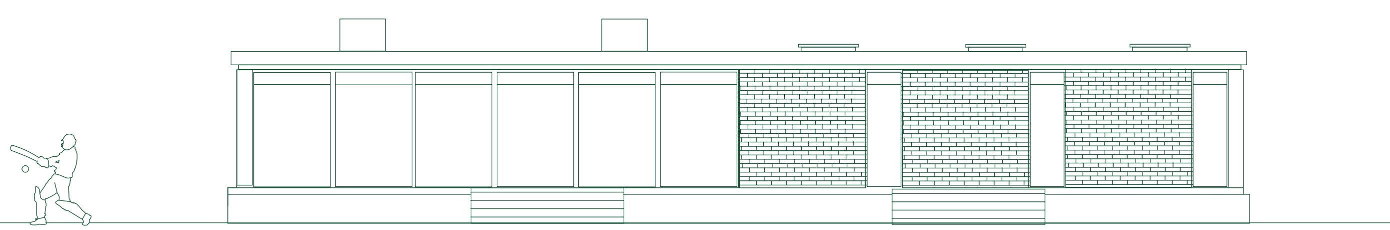
Out of the total £21.7 million net revaluation deficit in respect of retained properties, £7.5 million was attributable to a 2.7 per cent fall in the value of Alconbury and £7.3 million was attributable to a 6.3 per cent fall in the value of the Group's share of Rugby.

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

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

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

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



Consolidated statement of comprehensive income continued

Taxation expense

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

Dividend

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

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

Consolidated balance sheet

Overview

	At 30 September 2020			At 30 September 2019		
	Group £m	Joint ventures £m	Total £m	Group £m	Joint ventures £m	Total £m
Investment properties	47.6	—	47.6	52.9	—	52.9
Trading properties	311.5	163.2	474.7	307.0	143.1	450.1
Properties within PPE	4.0	—	4.0	3.2	—	3.2
Properties[1]	363.1	163.2	526.3	363.1	143.1	506.2
Investment in joint ventures and associates	126.6	(126.6)	—	121.3	(121.3)	—
Trade and other receivables						
Non-current property[1]	30.7	18.5	49.2	45.9	22.1	68.0
Current-property[1]	21.3	9.2	30.5	6.7	5.6	12.3
Current – other[4]	17.5	6.0	23.5	11.8	12.6	24.4
	69.5	33.7	103.2	64.4	40.3	104.7
Cash[2]	14.1	16.0	30.1	24.4	3.0	27.4
Borrowings[3]	(143.2)	(64.0)	(207.2)	(129.3)	(47.6)	(176.9)
Deferred tax liability (net)[4]	(5.9)	—	(5.9)	(5.9)	—	(5.9)
Trade and other payables – property[1]	(10.9)	—	(10.9)	—	—	—
Other net liabilities[4]	(20.0)	(22.3)	(42.3)	(35.0)	(17.5)	(52.5)
Net assets	393.3	—	393.3	403.0	—	403.0
EPRA adjustments – property[1]	83.4	13.3	96.7	95.5	20.5	116.0
EPRA NAV adjustments – deferred tax[4]	49.1	—	9.1	8.5	—	8.5
EPRA NAV	485.8	13.3	499.1	507.0	20.5	527.5
EPRA NNNAV adjustments	(27.5)	—	(27.5)	(30.5)	—	(30.5)
EPRA NNNAV	458.3	13.3	471.6	476.5	20.5	497.0
NAV per share			270.4p			275.3p
EPRA NAV per share			343.2p			360.3p
EPRA NNNAV per share			324.3p			339.5p

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

Investment properties

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

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

Trading properties

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

Investment in joint ventures and associates

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

Trade and other receivables

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

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

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

Trade and other payables

Of the £35.5 million trade and other payables, disclosed in note 17, £10.9 million relates to deferred property income following the sale of the converted medical accommodation (let to Papworth Trust) by the Waterbeach joint arrangement. Under the joint arrangement with the DIO, Urban&Civic were entitled to receive the entire sales proceeds (totalling £18.2 million) to clear amounts previously advanced by the Group, however of this sum, £10.9 million has been ascribed to future workstreams envisaged under the Development Management Agreement and therefore deferred.

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

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

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

The Waterbeach loan will meet the Group's financial obligations under the Development Management Agreement and although we are obliged to fully consolidate the borrowings (despite security being provided by the DIO, and also accounting for a receivable from the DIO's for their share of the borrowings) our gearing covenants will not be affected as we have agreed to exclude this borrowing from such calculations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Post balance sheet matters

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

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

1,2,3,4. Cross refer to superscripts and footnotes contained within the consolidated balance sheet overview above.

5. The above table has been derived by rounding actual numbers up or down to the nearest one decimal place and therefore when they are compared the balance sheet overview table above there is a £0.2 million rounding difference.

David Wood

David Wood
Group Finance Director
4 December 2020

Long-term viability statement

In accordance with the provisions of the UK Corporate Governance Code, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and having made reasonable assumptions about its future trading performance and the potential impact of its principal risks set out in the risk review on pages 38 to 47.

The Directors' viability assessment continues to be made in respect of a five-year period (ending 30 September 2025); however, in this particular period of uncertainty (caused by Covid-19 interruption and Brexit negotiations) a more granular and downside focused review of the assumptions and potential variabilities attaching to the Group's cash flows over the next 12 months to 30 September 2021 has been undertaken.

As was the case in prior years, where the duration of a particular development project extended beyond five years, the lifetime business plan for that development was reviewed to ensure commitments beyond five years did not impact ongoing viability.

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

- the Group's annual strategic review covers a five-year period;
- serviced land sales contracts in respect of the Group's strategic land sites, which account for over 80 per cent of the Group's EPRA NAV, typically take the purchaser four to five years to build out and sell;
- contractual arrangements in relation to capital expenditure do not normally exceed five years; and
- availability of finance and forecasting uncertainty reduces reliability over longer periods.

Assessing viability

The Directors assess ongoing viability principally through:

- five year business plans, which are presented periodically at Board meetings and which detail quarterly and annual cash flows, balance sheets and income statements for each business segment or material asset, as well as financial covenant compliance;
- sensitivity analysis on key assumptions and/or principal risks embedded within the five-year business plans (including sales rates, sales price and cost price inflation assumptions and timing of expenditure and land promotion receipts);
- scenario modelling (including investment and divestment opportunities), which is overlaid on the five-year business plans and which is assessed against the Group's existing cash position, committed borrowing facilities, committed expenditure and normalised overhead;
- stress testing of the five-year business plans, assuming that valuations fall significantly;
- review of mitigating actions that could be taken to counter these reduced revenue scenarios. This review includes an assessment of non-contracted capital expenditure, which for Urban&Civic is significant at any point in time and provides the Group with significant optionality, especially as the Group has limited future development obligations in respect of current contracted strategic land receipts – meaning that development costs could be significantly reduced in relatively short time scales without affecting short-term revenues;
- annual strategy days, which although postponed this year due to Covid-19, are used by the Board to agree annual priorities and budgets, which are then owned and monitored by the Executive Management Committee and relevant senior employees; and
- review of unutilised facilities, borrowing capacity and risks associated with refinancing any maturing facilities (including assessment of ongoing negotiations in relation to extensions or renewals and/or ability to repay maturing facilities from existing Group resources).

Further explanations in respect of the Group's undrawn and maturing facilities, together with details on gearing levels and covenant headrooms, have been set out in the financial review (on pages 33 and 34) and in note 1 (on page 132).

Severe downside scenario

For this year end, and for the purposes of modelling a severe downside scenario, the Group has assumed:

- that sales rates at the strategic land sites are reduced to minimum levels as provided for by contracted licence arrangements – leaving £26.8 million of contractual minimums due over the next 12 months to 30 September 2021 and £101.6 million due over the five-year review period. The amount receivable over the next year is equivalent to 1.7 times the annual cash overhead sum of £16 million, which comprises £25 million of gross overheads less depreciation, non-cash share-based payment charges and discretionary bonuses; and
- a further six-month deferral of 50 per cent of forecast non-contracted land promotion receipts, together with an assumption that 10 per cent of forecast base case promotion receipts are fully abortive.

These combine to form an extreme downside scenario which reduces the base case cash flows by £41.9 million over the next 12 months and £271.7 million over the next five years.

Mitigating actions that could be taken to address such a reduction include:

- cessation of uncommitted strategic land development works, which are not associated with contracted residential sales income;
- cessation of non-committed capital investment in respect of a number of identified early stage projects;
- further drawdown under the Group's revolving credit facility;
- cessation of dividends beyond this year; and
- negotiating further loan extensions/expansions.

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

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

The Board is satisfied that these mitigating actions will insulate the Group against the severe downside scenario set out above. No key metrics were breached during the assessed period and sufficient cash headroom was forecast with the corporate LTV remaining below 40 per cent throughout.

Qualifications and assumptions

The Directors consider that the sensitivities, scenarios and stress assumptions set out above more than compensate for the significant uncertainty surrounding the UK's future economic prospects, especially in light of Covid-19 and Brexit and current cyclical positioning of the housing market.

Based on the assessment detailed above, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities as they fall due for the next five years and that it is appropriate to continue to prepare financial statements on a going concern basis, as discussed in the Directors' report on page 118.

This long-term viability statement was approved by the Board on 4 December 2020.

David Wood

David Wood
Group Finance Director
4 December 2020

Measuring our progress

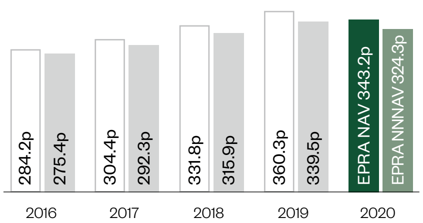
Financial

EPRA NAV per share

-4.7%

EPRA NNNAV per share

-4.5%



Link to strategy

1 2 3 4 5

Definition

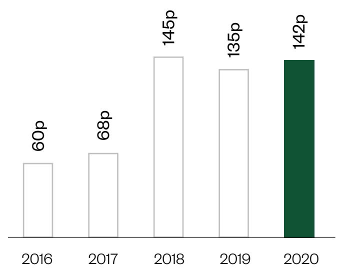
EPRA NAV measures (which set out the net asset value attributable to equity shareholders adjusted for revaluation surpluses on trading properties, with (EPRA NNNAV) or without (EPRA NAV) associated tax provisioning), continue to be a significant descriptor of value growth for the Group ahead of mature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

Performance

EPRA NAV per share fell 4.7 per cent over the last year with EPRA NNNAV per share falling 4.5 per cent – since listing the annual growth rates in both measures equate to 6.5 per cent and 5.7 per cent respectively.

Wholesale discount

142p



Link to strategy

1 2 3 4 5

Definition

In order to provide guidance on the embedded value at our most advanced strategic land sites, where the Group believes placemaking has been achieved or has commenced, a self-defined wholesale discount figure is published. This is calculated as the difference between the unserviced land values imputed by CBRE valuations (which take into account site scale and buildout duration among other matters) and the current retail prices being achieved on smaller parcel sales.

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

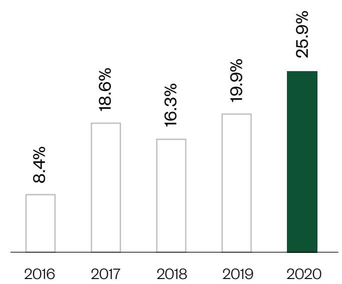
Performance

The wholesale discount increased to 142p per share in the year to 30 September 2020, from 135p per share at 30 September 2019. This is the result of CBRE changing a number of key valuation assumptions (in this period of uncertainty), which have reduced value despite current retail sales prices at the Group's Strategic Sites being broadly maintained at historic levels.

This means that there is a compensating increase in wholesale discount against reduced CBRE values.

Gearing – EPRA NAV

25.9%



Link to strategy

1 2 3 4 5

Definition

The Group has publicly stated that it does not intend to borrow to acquire land or fund the cost of constructing infrastructure at its strategic land sites; except where those borrowings are derived from Government sources such as Homes England. Urban&Civic has also imposed on itself a gearing limit of 30 per cent on a non look-through, EPRA NAV basis (current third party loan covenants are above this threshold).

These parameters help ensure the Group does not take on more borrowing than it can afford to service, whilst at the same time providing some borrowing capacity should the need arise.

Performance

The Group's net debt position at 30 September 2020 totalled £129.1 million (30 September 2019: £104.9 million), comprising external borrowings of £143.2 million and cash reserves of £14.1 million, producing a net gearing ratio of 25.9 per cent (30 September 2019: 19.9 per cent) on an EPRA NAV basis. Of the £143.2 million of external borrowings, £116.6 million (or 80.0 per cent, gross of loan arrangement costs) are with Homes England.

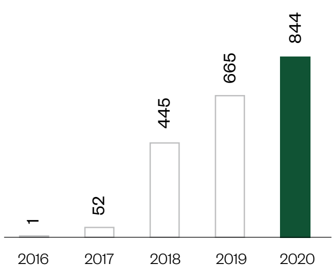
On a full look-through basis, which additionally includes the Group's share of joint ventures net debt, gearing on an EPRA NAV basis increases to 35.5 per cent.

No Group covenants are tested on a look-through basis.

Link to strategy: 1 Secure sites 2 Accelerate delivery 3 Sustain quality 4 Identify opportunities 5 Deliver returns

Plot completions (total strategic sites)

844



Link to strategy

1 2 3 4 5

Definition

Plot completions to the ultimate home buyer are important for a number of reasons. Firstly, our serviced land receipts including those under licence arrangements are typically linked to plot completions and secondly, together with reservations and exchanges, they provide the Group, its independent valuers and stakeholders with market information.

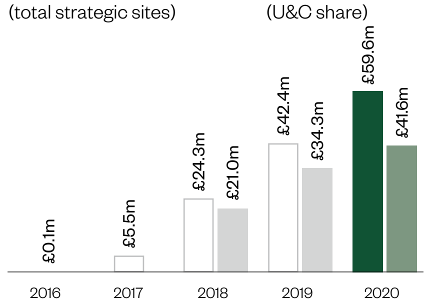
Performance

The Group's first plot sale was made on 30 September 2016 by Hopkins Homes at Alconbury. In the current financial year, the Group saw completions (including plot equivalents in respect of land sales) of 844 plots at four Strategic Sites. This was 26.9 per cent higher than last year.

Cash flow generation from plot completions

£59.6m (total strategic sites)

£41.6m (U&C share)



Link to strategy

1 2 3 4 5

Definition

Strategic land sites now account for 83 per cent of the Group's property portfolio value and therefore cash generated from these sites will become more evident and important in respect of overhead coverage, dividend payments and future growth strategies. This measure is usually combined with plot completions to enable the Group to assess profitability on a per plot basis, which is also used to consider how current economics might impact property valuations.

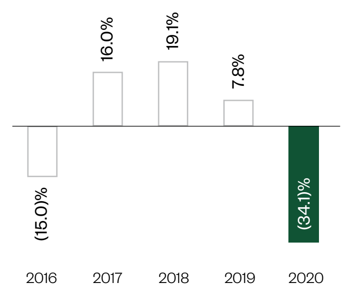
Performance

Cash generation on residential completions has increased along with plot completions. In 2016 the first plot sale realised gross proceeds of £121,000.

This financial year £59.6 million was generated by 844 completions (U&C share: £41.6 million). This was 69.3 per cent of our anticipated £60.0 million target for the year, set back in November 2019.

Total shareholder return

-34.1%



Link to strategy

1 2 3 4 5

Definition

The return our shareholders make is a clear priority, which we monitor through calculating the growth in value of a shareholding, assuming reinvestment of any dividends into shares over a period.

Performance

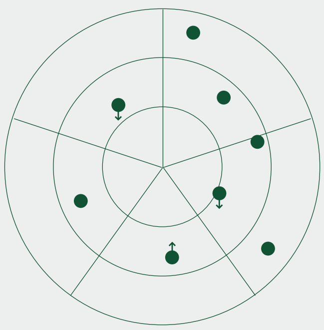
Urban&Civic's share price has fallen 34.9 per cent over the last 12 months (from 324.0p at 30 September 2019 to 211.0p at 30 September 2020). Combined with a dividend paid during the year totalling 2.5p, the share price movement has resulted in a total shareholder return of (34.1) per cent for the year.

This does not take into account any post balance sheet movement in share price caused by the Wellcome offer.

Non-Financial

The Group has undertaken a full review of its non-financial key performance indicators in the year and as a result has chosen alternative measures to those provided last year (Riddor incidents, trees planted and land remediation). These new measures are set out in the sustainability section on pages 48 to 63.

Robust
risk management



Where can I find...?

Principal risks
pages 42 to 47

Long-term viability statement
page 35

Board risk oversight
pages 39 to 40

Audit Committee activities on risk framework and internal controls
page 95

Risk environment

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

- a large part of the Group's operations are focused on facilitating regional housing development and delivery in the UK;
- housing markets have historically been cyclical;
- our customers (housebuilders), or our customers' customers (homebuyers), are influenced by mortgage availability, job security and disposable income (amongst other matters) when deciding to buy (or build) homes;
- politics around residential delivery, and in particular around planning consents and Help to Buy availability, is challenging and historically volatile;
- changes in legislation and regulation can impact the way the Group operates, both directly and indirectly;
- the ability to acquire development sites and bring them forward, so that homes may be built, is heavily dependent on our in-house skillset; and
- disrupting factors, such as Covid-19, may physically and financially halt house delivery and sales and these factors may not be fully predictable.

Principal areas of focus in 2020

The following reviews or improvements to the Group's risk management framework were undertaken or implemented during the financial year:

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

Meet strategic objectives for stakeholders

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

- Defines: the nature and scale of risk that the Group is prepared to take (risk appetite);
- Identifies and assesses: risks applicable to the Group's strategy and operations (both existing and emerging);

- Controls: risk through the design and implementation of mitigating actions, controls and procedures;
- Tests: to seek assurance over the effectiveness of those mitigating actions, controls and procedures; and
- Reviews and refines: the Group's risks on an ongoing basis against risk appetite, acknowledging that risk cannot be fully eliminated.

Define

Establish risk appetite and regularly review: Board

Identify and assess

Identify and assess relevant risks: Executive Directors and EMC

Bottom-up input from: Subcommittees (SDC, CDC, NSC and Catesby) and staff

Control

Design and implement mitigation: Executive Directors and EMC

Embedded through: Subcommittees (SDC, CDC, NSC and Catesby), staff and third party consultants (such as RPS Group – health & safety)

Test

Seek assurance over mitigation: Executive Directors and Audit Committee

Assistance from: Third party consultants (such as Grant Thornton – internal auditor)

Review and refine

Manage and report on risk: Executive Directors, EMC

Bottom-up input from: Subcommittees (SDC, CDC, NSC and Catesby) and staff

Risk management framework

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

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

Risk management structure

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

The Audit Committee reviews the adequacy and effectiveness of the Group's financial and non-financial internal controls and risk management systems on behalf of the Board and sets the internal audit work programme. The Audit Committee also monitors and reviews the external audit, including the auditor's report. The work undertaken by the Audit Committee in relation to risk during the year and its expected 2020/21 programme of work are further set out in the Audit Committee report on pages 95 to 97.

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

Key features of our risk management framework

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

Risk management structure continued

- Appropriate training (including induction for new employees so they understand the Group's risk appetite).
- Ensure employees understand and have confidence in the Group's whistleblowing policy. Details of this policy are communicated through an employee handbook.

Risk management framework components

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

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

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

Risk description	Risk appetite	Risk behaviour	Change in risk appetite in the year
External environment	High	The Group is prepared to operate in a volatile environment, but only when enhanced returns compensate for increased risk. Long-term viability is a key override.	▶
Operational strategy	Moderate/high	The Group undertakes planning and development activities, both of which have elevated risk profiles.	▶
Operations	Low	The Board seeks to deliver developments effectively; complying with all legislation and avoiding actions that could adversely impact reputation and/or stakeholder returns.	▶
Finance	Low	The Group seeks to put in place non or limited recourse funding lines, with non-onerous covenants (on a flexed basis) and does not seek to borrow against serviced land (except through infrastructure loans provided by Homes England).	▶
People	Low	The Group cannot function without a motivated and well trained workforce and aims to recruit, train, promote and retain staff, ensuring a succession plan is in place.	▶

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

Our risk focus over the shorter term

Covid-19

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

Brexit

The UK is set to leave the EU at the end of December following the referendum decision back in June 2016. This decision created a period of economic uncertainty which looks set to continue should a no deal Brexit occur; given the UK would most likely leave on World Trade Organisation rules (with its associated tariffs and regulations), Whatever the eventual outcome, it is clear that uncertainty will continue until new EU and international trade agreements are finalised.

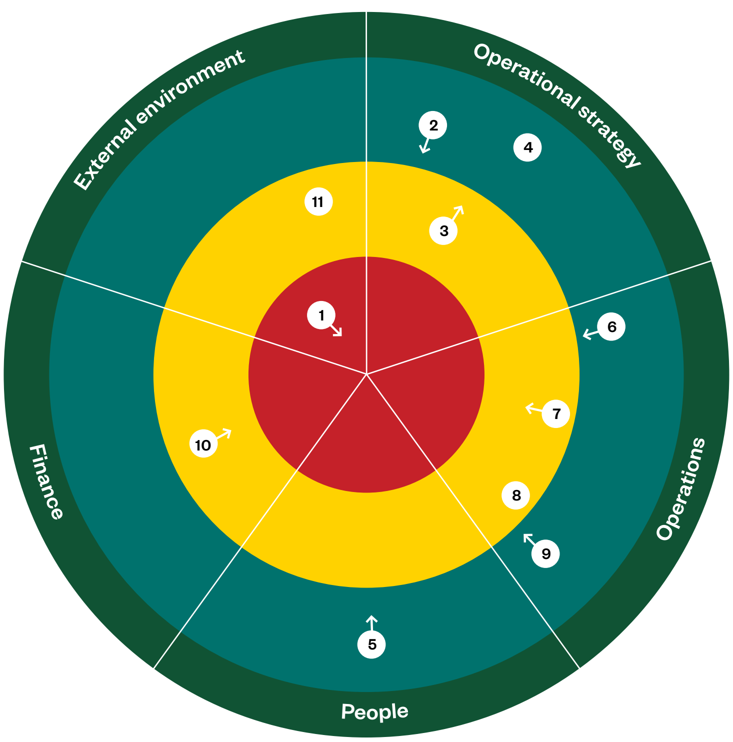
Although it is not possible to fully assess the impact of either Covid-19 or Brexit on our business, the Board is taking appropriate action to ensure the Group is resilient to short-term disruption and well positioned over the medium and longer term.

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

- **Developments** – although our strategic land sites benefit from relatively low forward development commitments at any one time, we have: reduced discretionary development expenditure that is not fully funded by loan facilities, increased our due diligence on the financial robustness of our subcontractors and suppliers; put in place performance bonds or guarantees where appropriate and entered into fixed price contracts for material works (at Manchester New Square for example or in respect of the construction of the secondary school at Rugby). These measures help to protect the Group from a downturn in UK performance and consequential rising input prices (at least in the near future).

- **Customers** – homebuyer confidence and ability to access finance and meet mortgage obligations are principal demand drivers for our customers (the housebuilders). While demand for land parcels from the housebuilders maintained throughout the year, we cannot say for certain that this trend will continue despite the recent strong reservation rates across our Strategic Sites. Building up forward sales of £101.6 million (with minimum annual contracted receipts of £38.3 million) has been a key feature in the Board's strategy to manage any short-term disruption (Covid-19, Brexit or otherwise). All minimum receipts due in the year have been collected as contracted in the year.
- **Values** – as a result of Covid-19, the value of our strategic land portfolio fell in the first half of the year (reflecting the widespread uncertainty that the pandemic caused). In the second half however, values have recovered, at least in part, on the back of rising demand, rising sales rates and stable or improved pricing. If this position were to reverse, however, loan covenant headroom would reduce. Falling values are not all bad news for the Group, as reduced land prices would most likely provide more and better land acquisition opportunities.
- **Debt** – in addition to the stress that falling values may create (as referred to in the previous paragraph), increased borrowings, interest rates, falling sales rates or other adverse market changes may also increase covenant pressure. In order to monitor and manage the Group's debt over the shorter term our self-imposed gearing limit of 30 per cent of EPRA NAV is monitored at each bi-monthly Board meeting, as are all the facility covenants (to ensure compliance and identify emerging issues). More information on our approach in this area can be found in the long-term viability statement.
- **Climate change (incorporating ESG/sustainability)** – is an increasing focus for the Board. Formalising and enhancing existing sustainability credentials and practices has been a key focus and a new sustainability framework is set out in more detail on pages 48 to 63 is now being finalised.

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



Risk after mitigation

High · Medium · Low

→ Movement in the year

Key

R1. Market risk
R2. Strategic risk
R3. Competition risk
R4. Legal and regulatory risk
R5. People risk
R6. Cyber risk
R7. Planning risk
R8. Health and safety risk
R9. Delivery risk
R10. Financial risk
R11. Climate change risk

Principal risks

All of our risks are aligned to both our KPIs and strategic objectives.

Key

Link to strategy:

1 Secure sites

2 Accelerate delivery

3 Sustain quality

4 Identify opportunities

5 Deliver returns

Read more on our strategy pages 18 and 19

Risk rating after mitigation:

Low

Medium

High

Change during the year:

Increase in risk

No change

Decrease in risk

Read more on our KPIs page 36

External environment

R1. Market risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Plot completions; Cash flow generation from plot completions; Total shareholder return; Gearing – EPRA NAV.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

- Coronavirus lockdown has had a significant impact on markets which have directly impacted housebuilder sales rates across the Group's sites. Pricing points have been maintained and parcel sales at Strategic Sites have continued throughout the year, but the UK's general economic position has weakened. Despite the recent evidence of pent up demand following the lifting of the first National lockdown, the medium to longer term impact of this weakening position could lead potential homebuyers to delay their decision to purchase a new house, which in turn could impact not only the timing of currently contracted serviced land overages (minimum receipts are locked in, subject to the creditworthiness of our customers – the housebuilders), but also the behaviour of the housebuilders themselves, all leading to increased market risk.
- The possibility of a hard Brexit may provide additional economic shocks that could exacerbate the previous consequences set out in the last paragraph.
- Political commentary around sustainability, the environment and use of greenfield and greenbelt sites increases uncertainty and therefore market risk. See climate change key risk for further considerations.
- Continued scrutiny around environmental, social and corporate governance (ESG) by stakeholders. Policy and legal changes increase compliance risk and risk of penalties for breaches.

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

Operational strategy

R2. Strategic risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

R3. Competition risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

Operational strategy continued

R4. Legal and regulatory risk

Strategic objectives 1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

- New legislation is coming forward in response to Covid-19, on top of the normal increasing legislation.
- Growing ESG requirements, lack of consistent and widely adopted ESG standards and new accounting and other regulations are increasing the risk in this area.
- Regular use of advisers and staff training which have continued throughout lockdown have helped to mitigate this risk.
- Governance checklists help ensure compliance with legislation.
- Ongoing use of electronic staff training system (iHASCO) to augment face to face training with modules including money laundering, bribery, whistleblowing and equality covered by this method.

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

People strategy

R5. People risk

Strategic objectives 1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

Link to strategy:

1 Secure sites 2 Accelerate delivery 3 Sustain quality 4 Identify opportunities 5 Deliver returns

Operations

R6. Cyber risk

Strategic objectives

1 2 3 4 5

KPIs Limited impact on any KPIs due to the Group's relatively low reliance on IT.

Impact of risk

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

Cost and reputational damage of breaches in data protection regulations.

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

R7. Planning risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

Risk rating after mitigation:

Low Medium High

Change during the year:

Increase in risk No change Decrease in risk

Operations continued

R8. Health and safety risk

Strategic objectives 1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

R9. Delivery risk

Strategic objectives 1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

Link to strategy:

1 Secure sites 2 Accelerate delivery 3 Sustain quality 4 Identify opportunities 5 Deliver returns

Financial

R10. Finance risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

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

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

External environment

R11. Climate change risk

Strategic objectives

1 2 3 4 5

KPIs EPRA NAV per share; Wholesale discount; Total shareholder return; Plot completions; Cash flow generation from plot completions.

Impact of risk

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

Controls and mitigation/action

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

Typical risk indicators

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

Movement description

- This global imperative has not received quite so much focus during this Covid-19 year, however it remains a significant consideration for all companies and operations.
- Investors and other stakeholders have made an increased number of enquires on this matter over the last 12 months.
- The Group is finalising its approach to climate change through a new sustainability framework (see pages 48 to 63), however due to the continuing importance of this area and early stages of the implementation of the framework, this risk has been held at amber.

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

Risk rating after mitigation:

Low Medium High

Change during the year:

Increase in risk No change Decrease in risk

Sustainable

value creation

Doing the right thing is fundamental to how we conduct business. We believe that our organisation will be successful in the long-term by creating value, both for our shareholders and for society. Our projects and activities should make a positive impact on society while contributing to Urban&Civic's ongoing success.

Our five capitals:

Physical
Page 52

Social
Page 54

Economic
Page 56

Natural
Page 58

Human
Page 60

Our approach to value creation

Given our Master Developer role in creating new communities with significant infrastructure, sustainability has always been fundamental to the quality of what we deliver and the way we work with our partners, the communities around us and our people.

As the market has evolved in this area and with both the growth of our business and increasing diversification of sites, we elected in 2019 to formalise our approach to the governance of sustainability at a business and a project level.

Building on last year's initial sustainability review, this year we have progressed a comprehensive Sustainability Framework approach. This has embraced the capital-based model, following a review of 2019's outputs, as it promotes a holistic, interdisciplinary approach to sustainability which is aligned with our understanding and demonstration of sustainable development.

Our strategy continues to be based on the concept of realising long-term value for all our stakeholders and investors, capturing the multifaceted benefits resulting from our activities and operations across the five capitals: physical, social, economic, natural and human. Crucially, it aims to transform sustainability into an opportunity for growth rather than a challenge to overcome.

Focusing on what matters most

Rather than simply selecting a standard series of industry approaches, our bespoke strategy has been designed to respond to a wide range of macro drivers leading the global sustainability agenda, including the challenges associated with climate change and its implications for biodiversity and human health & wellbeing.

We have also sought to align with the United Nation's Sustainable Development Goals (SDGs), striving to maximise our contribution towards their achievement. We believe that the SDGs set out a clear and ambitious framework for progress towards a more sustainable world and are cognisant that as part of the business community, we have a role in tackling these global challenges.

In order to help us focus on the most relevant SDGs and identify the areas where we can have the most significant positive impact as a Master Developer, we have undertaken a comprehensive analysis of our business against the SDGs. This analysis was complemented by an evaluation and prioritisation exercise of those areas through focused engagement with key stakeholders. Defining what matters most has been a critical step in the formulation of our overarching approach which guides our organisational efforts.

Case study — Human

Rugby – Delivering outstanding educational facilities

Our unique partnership with key stakeholders at Houlton, Rugby, has been vital to the inception and delivery of its secondary school, Houlton School. A joint venture between Urban&Civic, Aviva Investors, Warwickshire County Council and the Department of Education, this collaborative approach has allowed us to explore and extend our involvement far beyond the traditional role of a developer. It has also seen Urban&Civic, working closely with Morgan Sindall Construction, take on the delivery risk of the conversion of the Grade 2 listed C-Station Building into the heart of the new school.

Houlton School will be part of the Transforming Lives Educational Trust, an organisation already delivering Outstanding OFSTED-rated education at Rugby's Ashlawn School. Joh Thomas, our communities, communications and partnerships lead at Houlton, is both a Trustee and will serve as inaugural chair of the school's governing body. Together, we will provide 1,200 much-needed secondary school places, as well as a sixth form, to Rugby residents, and look forward to welcoming its first intake of Year 7 pupils in September 2021.

Its inaugural Principal, Michael McCulley, has been appointed and applications for admissions are now open through the Local Authority Admissions Service, with virtual tours also available online.

Case study — Economic

Waterbeach – Jobs and skills

Six modular homes for homeless people, constructed in a hangar at Waterbeach Barracks, have been completed and delivered to their new Cambridge home on Church of England land in Barnwell. The project – one of the first of its kind in the UK – was created by a team that has experienced homelessness and long-term unemployment. Their approach is a part of the vision of New Meaning, run by locally-based John Evans, which supports people who might struggle in more conventional settings to gain skills and work experience.

One of the volunteer trainees, David Muiruri, was a former qualified design draughtsman in the Army engineers based at Waterbeach for 12 years. Another, Steve Hadaway, had also served in the Army and joined the team of six as they made the homes from a blueprint by St Neots based interior/furniture designer Simon Bray. The team received training at EDGE Construction Skills hub, which we run at Alconbury sponsored by the Construction Industry Training Board (CITB). All the parts, frames, fittings and fixtures were bespoke for the project, supplied by Supersips Ltd, whose CEO Les Crossley also served at Waterbeach in the Army.

With the finishing touches made to the units in situ, the first six residents – five homeless people and a supervisor, also formerly homeless – can move in. Now the team has secured additional funding from the Greater Cambridge Partnership to extend the project with additional buildings to be constructed at Waterbeach Barracks, starting in November.

Introduction to our Sustainability Framework

Our Sustainability Framework approach sets out our ambition and commitments, aligned with our organisational purpose of creating beautiful, sustainable and community focused places. It reflects the continuation of a journey which, for us, started with the formation of Urban&Civic ten years ago.

Structured around the Five Capitals, the Framework approach defines five strategic objectives with respect to the key opportunity areas where we believe our business intersects most keenly with society and, therefore, has the most significant potential to make a positive difference.

These objectives are supported by specific action areas along with detailed performance indicators and targets for the topics identified as most relevant to our business. The emerging Framework defines a set of "Minimum Standards" which apply to our internal operations and across all our strategic land sites irrespective of size and location.

Furthermore, we are developing additional metrics to inform the sustainability approach at a site by site level together with stakeholder-specific metrics to help guide discussions with our customers, which we intend to roll out in our financial year 2021/22.

An initial 5-year horizon has been set for strategic formalised evaluation of our performance. However, this Framework approach is informed by longer-term considerations and drivers of national significance, such as the UK government commitment to a "net-zero" emissions nation-wide target by 2050. In this sense, 2025 is by no means the end, it's just the first strategic milestone in our formalised approach to delivering sustainability in all we do. Similarly, our approach remains flexible such that our objectives, action areas and metrics will evolve over time in order to respond to changing stakeholder demands or legislative requirements.

SDG	Capital	Objective	Action areas
11 Sustainable cities and communities; 7 Affordable and clean energy; 9 Industry, innovation and infrastructure; 13 Climate action	Physical	Net zero carbon	• Carbon footprint • Resilience • Connectivity
11 Sustainable cities and communities; 4 Quality education; 10 Reduced inequalities	Social	Vibrant communities	• Placemaking • Engagement and consultation • Community investment
11 Sustainable cities and communities; 4 Quality education; 8 Decent work and economic growth; 10 Reduced inequalities	Economic	Inclusive prosperity	• Good quality employment • Economic inclusion • Innovation and entrepreneurship
11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action; 15 Life on land	Natural	Environmental net gain	• Green and blue infrastructure • Enhanced biodiversity • Resource efficiency
11 Sustainable cities and communities; 4 Quality education; 8 Decent work and economic growth	Human	Personal empowerment	• Wellbeing • Health and safety • Development of our people

Figure 1: Urban&Civic Sustainability Framework

Holding accountable

Reporting scope & boundaries

This sustainability section covers our activities during 2019/20, a year in which we made strong progress against our identified objectives and metrics. In the sections that follow we have summarised our performance under each of the five capitals by highlighting our achievements and identifying opportunities for improvement in respect of one key metric.

Naturally, we intend to disclose performance against all sustainability commitments and targets and produce site-specific sustainability updates to ensure maximum openness and visibility for our shareholders and other stakeholders. However, given the complexity of the sustainability governance and reporting process, we have made a strategic decision to undertake a phased approach, to ensure robustness of our process and systems.

Last year we focused efforts on analysing our performance during the delivery of Key Phase 1 at Alconbury through the lens of the Five Capitals. One metric per action area has been selected for each Capital and depending on the nature of the metric, progress is reported either on a business wide basis or with respect to the Strategic Sites and Europa Way. Our 2019/2020 reporting process covers all sites that are in operational and delivery mode. The complete Sustainability Framework will be finalised and launched in early 2021 and we will report in full against it at the end of the year.

Unless stated otherwise, the reported data has been calculated by taking the average performance across our Strategic Sites.

Where possible, we have reported data for the past three years to enable the reader to observe trends in performance. However, as our sites are at different stages of development, data for all three years is not always available. The scope of each metric is, therefore, defined in each of the Capital sections that follow.

Data credibility & robustness

Our strategy consultant Hoare Lea performed an independent review of the sustainability data generated. Their analysis consisted of assessing the appropriateness of any assumptions made at corporate and site level, the data scope and the reporting boundaries. Hoare Lea also reviewed our data aggregation process and matched the reported figures against the corresponding source documentation.

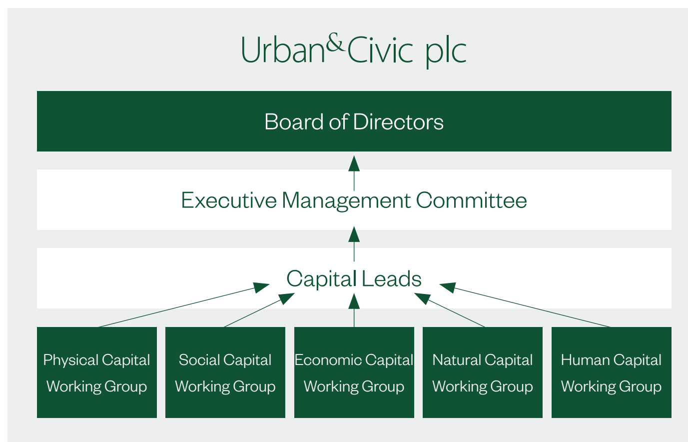
Hoare Lea's review and feedback has helped to establish a robust data consolidation process to compile reliable sustainability disclosures.

In line with industry best practice, we intend to explore relevant independent, third-party assurance over specific data and associated qualitative information in the reporting cycles to come in order to further bolster confidence in the credibility, reliability and accuracy of our disclosures.

Governance

The first step towards our Sustainability Framework has been to establish a robust governance structure and define responsibilities across core functions to ensure that there is clear ownership of each element of the strategy, complemented by adequate systems in place to collect reliable and transparent data required to process and report performance against metrics.

Accountability for the emerging Sustainability Framework will ultimately sit with the Board. The Board is supported by the Executive Management Committee (EMC), which is chaired by our Managing Director, Robin Butler. Reporting into the Committee in terms of Sustainability are the appointed five capital working groups, who oversee the effective implementation of our framework at an operational level. This may include the appointment of internal personnel and external consultants, completing learning and development associated with the integration of the framework within the strategic site business plans, the collation of metrics and data as part of our reporting, the review of the framework and the subsequent feedback into the EMC with recommendations for updating and lessons learnt.



Commitment to transparency

We intend to continue with our sustainability disclosures and report against the commitments and targets set out in our formalised Sustainability Framework on an annual basis to ensure openness and visibility for our stakeholders and provide evidence for wider discussions on best practice.

We have set an initial 5-year horizon for strategic evaluation of our sustainability performance, but in line with industry best practice, the intention is to report progress on an annual basis.

By focusing on the topics that are most meaningful for our organisation and our stakeholders and regularly reporting on progress, we believe we will create a natural incentive to improve.

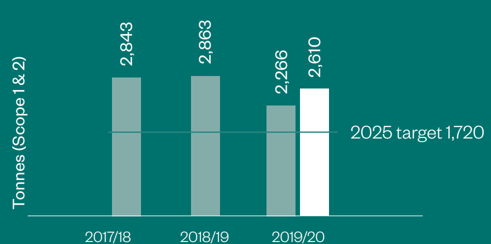
Physical

Objective:
Net Zero Carbon

Why it matters

The UK Government has set a legal target to achieve net zero by 2050, while the built environment industry is driving for all new buildings to be net zero operational carbon by 2030. Therefore, the debate is not whether carbon neutrality should be a strategic goal for us, but rather about establishing timescales for when this could be reasonably achieved.

Action Area 1 – Carbon Footprint : Steady reduction in emissions



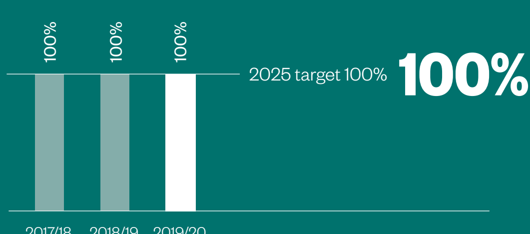
Evolution graph showing business-wide carbon footprint data

Net carbon emissions normalisation for COVID-19 reduced operational activity

Reported carbon emissions

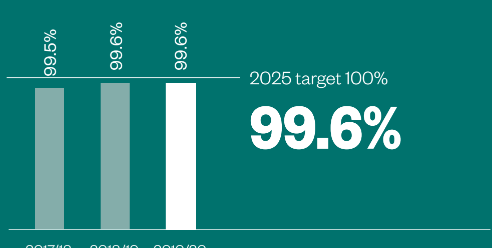
Read more detail on our GHG emissions on page 170

Action Area 2 – Resilience: Enhanced flood protection measures



Evolution graph showing continued flood protection measures

Action Area 3 – Connectivity: Outstanding cycle connectivity



Evolution graph showing consistently high connectivity to cycleways for our residents

What we are doing

To achieve this objective, we have identified three action areas to provide a strategic focus for our efforts and commitments. First, to understand and minimise our carbon footprint, encompassing key considerations with regards to operational energy use, clean and renewable forms of energy supply and embodied carbon. Second, to enhance the resilience of our sites, by preparing for the physical risks associated with climate change, such as rising temperatures, reduced air quality and increased flood potential. Third, to ensure the best connectivity for our land parcels, encouraging sustainable means for mobility as well as providing appropriate access to flexible and robust digital networks.

Action Area 1: Carbon Footprint
Minimum Standard Metric

2025 Target: Reduce our net operational carbon emissions by 40 per cent over a 2019 baseline (business-wide).

We measure and report our greenhouse gas emissions (GHG) and declare these annually. We have set out to reduce our 2019 baseline declared figure of 2,868 tonnes for our Scope 1 and Scope 2 emissions by 40 per cent to 1,720 tonnes by 2025 as a milestone towards achieving net zero operational carbon by 2030. This is a business wide metric in line with our legislative declaration.

To achieve a 40 per cent reduction in carbon emissions by 2025, based on 2018/19 data, an average of 6.7 per cent reduction would have to be maintained year on year.

Our declaration indicates that there has been a 21 per cent reduction in 2019/20, therefore, exceeding the minimum annual improvement required to achieve our 2025 target.

In achieving this above minimum annual improvement, we recognise that due to the Covid-19 pandemic many of our operational offices have not been fully utilised this year and that our Deansgate Hotel has been closed since March 2020. As such, we assess that the true net reduction in CO_2e is actually 9 per cent which is in line with our 2025 aspirations.

In terms of next steps along this journey, the business intends to implement the following measures in the current financial year:

- site vehicles becoming hybrid/electric;
- removal of further substations and power loss cables at Alconbury;
- removal of 11kv network distribution to MOD at Alconbury;
- continued and planned disposal/redevelopment of assets related to poor carbon emission performance;
- changing all office electrical shippers to green tariff providers; and
- implementation of an Energy Management Portal to track use.

In 2019/20 we achieved a 9 per cent net reduction in carbon emissions over a 2019 baseline once the lower consumption effects of the 2020 pandemic were taken into account.

Action Area 2: Resilience
Minimum Standard Metric

2025 Target: All our sites comply with the requirement for surface water drainage systems capable of managing flows resulting from a 1 in 30-year event and all attenuation bodies to deal with a 1 in 100 year event[1].

Ensuring resilience is critical for our business. Climate change brings with it challenges to the potential resilience of the communities that we craft. Providing surety to our stakeholders that such future-proofing has been designed into our developments from the outset is critical to achieving that continued level of confidence.

Maximising asset resilience through effective design, phased integration and management of all sources of flood risk within our site boundaries is one of our priorities in this area. This includes the application of a climate change allowance to flood risk.

Working with the Environment Agency and Local Lead Flood Authority as well as statutory water industry regulators, Independent Drainage Boards and water authorities, our designers establish a framework within which a flood model may be brought forward over what could be a 25 year development life, delivered in a phased manner and flexible enough to respond to all challenges within that cycle.

Critical aspects for consideration are the allowable discharge limits from the development into downstream water courses, the volume of retention on site necessary to limit such flows and the manner in which this volume is then retained. We have selected the design of both the piped drainage system and the detention basins for consideration in this initial exercise.

The results show that all our sites are protected against flooding if a 1 in 30-year event occurs by virtue of sustainable drainage systems adopted on site and that all over site flood events up to 1 in 100 year may be suitably retained within our surface water storage system, including allowance for climate change. Therefore, we are pleased to report that the 2025 target has been met both for this year's work and the previous two years. We have also been able to verify that flood risk assessments and drainage strategies comply with this requirement as a standard practice on all our existing and newly acquired sites moving forward.

In view of the fact that we already appear to have a suitable system in place for ensuring this delivery, in 2021 we will seek to set complementary KPIs which can help to further strengthen our performance in the area and tackle different resilience aspects in line with our holistic approach to the topic.

All our sites are protected against flooding if a 1 in 30-year event occurs by virtue of sustainable drainage systems adopted on site and that all over site flood events up to 1 in 100 year may be suitably retained within our surface water storage system, including allowance for climate change.

Action Area 3: Connectivity
Minimum Standard Metric

2025 Target: 100 per cent of buildings on our sites are within 200m of a dedicated cycle way[2].

Access to sustainable travel remains one of the pillars on which Urban&Civic's developments are established. We believe that our developments should support the creation of a built environment that encourages greater and safer use of sustainable transport modes and as such the design and implementation of all transport aspects of the development and associated strategies, will be applied in the following order:

i. Opportunities to reduce travel demand and the need to travel;

ii. Pedestrian and cyclist user needs;

iii. Public transport user needs;

iv. Powered two-wheeler user needs; and

v. Other motor vehicle user needs.

This hierarchy would then be applied to all aspects of site strategy, design and delivery over the lifetime of the development.

In line with this we liaise closely with local highways authorities and statutory consultees to develop transport assessments that underpin this philosophy. One such consultee is Sustrans, who recommend that all new buildings, including residential development, should not be located more than 200m from a dedicated cycle way. This is the metric that we have tested this year.

We are pleased to report 99.6 per cent residential and community, commercial and education buildings delivered on our sites are located within 200m of a dedicated cycle way as an aggregated per cent across the last three years.

As each development site continues to grow, we are committed to following our design hierarchy and continuously add further dedicated cycleways to the overall network in order to maintain this performance.

99.6 per cent of all buildings on our sites are within 200m of a dedicated cycle way.

1. Data for this metric has been collected for four sites in 2017/18 and 6 sites in 2018/19 and 2019/20.
2. Data for this metric has been collected from 4 sites in 2017/18 and 5 sites in 2018/19 and 2019/20.

Case studies – Physical

Alconbury – Cycling

Lockdown created an increased focus on cycling and walking around the development and as lockdown eased the team were keen to further embed cycling good practice.

Working with Smarter Journeys and Outspoken, we put on a series of Bike MOT sessions for residents, all of which were booked out on the first day. With further sessions organised, it was also clear a number of residents were keen to develop their cycling confidence, so additional sessions of Bikeability for adults were organised to support safe cycling and cycling with children. As part of the Active Travel scheme, the team have also partnered up with Outspoken to provide residents with the opportunity of a month's trial on an e-bike, which they then have the chance to purchase at a discounted rate at the end of the trial.

Alconbury currently houses 1,100 residents who have access to 12.7km of cycle routes within the development to date.

Waterbeach – Ground breaking

In 2020 work has begun to transform the former Waterbeach Barracks and Airfield into a 6,500-home community. After the completion of archaeological digs and ecological clearance work for the first phase of the development, 30 heavy earth-moving machines – including diggers, bulldozers and dump trucks – have moved on to the site.

With the first construction access installed, the first major activity are the earthworks to create the future landscape which means moving around 360,000 cubic metres of earth in the first nine months, the equivalent of filling the Royal Albert Hall four times over. The work will include lifting the level of the existing bund that runs along the side of the A10 to create a future ecology and sustainable transport corridor and provide a natural buffer under which the first primary school will nestle. The bund will then encompass a safe walking and cycling route which forms the start of a perimeter route that will eventually run around the development and connect into a series of walking and running loops off site and into Waterbeach Village and further afield to Cambridge.

Early works will also deliver development platforms and a sustainable water drainage system that will see ground levels created alongside ponds and swales, to ultimately take 19 million litres of run-off rainwater and connect via new and existing water attenuation ponds within our ecological corridors, including the existing 23 acre lake.

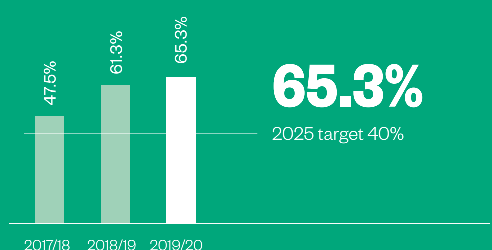
Social

Objective:
Vibrant Communities

Why it matters

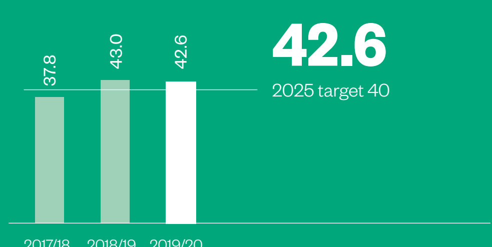
We believe communities at home or at work are the building blocks of a lively, interconnected network of services and relationships that enable places to thrive. As Master Developers, our ability to create self-sustaining communities and to nurture a culture of community citizenship is an indicator of success which we believe is as important as reducing our environmental footprint.

Action Area 1 – Placemaking: Green space



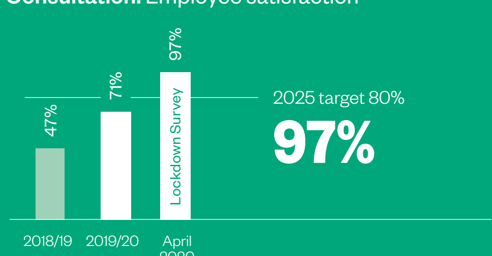
Evolution graph showing percentage of current site area given over to public open space data

Action Area 2 – Community Investment:
Being a good neighbour



Evolution graph showing averaged CCS site score for the last three years

Action Area 3 – Engagement and Consultation: Employee satisfaction



Evolution graph showing staff satisfaction with internal communication for the last two years and individual lockdown survey undertaken in April 2020

What we are doing

To achieve this objective, we have identified three action areas to provide a strategic focus for our efforts and commitments. The early delivery and management of Placemaking is our first action area that will gear our efforts towards delivering high-quality development sites, covering aspects such as visual aesthetics, heritage, and accessibility. We take community investment as our second action area in order to reinforce our support for communities to ensure greatest impact, while encouraging our people, customers and contractors to get involved in community projects that further leverage our investment. Finally we have defined engagement and consultation as the key action area, comprising our ambition of creating a strong social fabric within both our business and our projects.

Action Area 1: Placemaking

Minimum Standard Metric

2025 Target: A minimum of 40 per cent of total site area is dedicated to green space[1].

We believe that sustainable development must enable value creation through high-quality places and spaces where communities can flourish. We aim to leverage on the opportunity that we have as Master Developer in facilitating the synergy between the physical, cultural and social elements underpinning our sites.

Providing sufficient green spaces at an early stage of the development process where people can congregate, exercise and socialise is a fundamental aspect of any good placemaking strategy as this helps to cultivate a sense of place. We are pleased to report that the overall percentage of total area across the business which is classified as public open space on our sites has steadily increased over the last three years.

Our calculations indicate that 65.3 per cent of our total delivered area (of all applicable sites) in the 2019/20 reporting period is categorised as public open space, thus significantly exceeding our 2025 target of 40 per cent.

There is though some history behind the trends in these figures.

When we acquired the Priors Hall site at Corby in 2017, the development had been focused on residential delivery with little focus on the associated green space areas. Since then, Urban&Civic has worked hard to steadily improve the proportion of total site area which is public open space, restoring distressed land and delivering new play spaces and accessible nature trails though the reclaimed land. As such, the percentage of green space on this site has grown year on year and now stands at 41 per cent.

Alconbury, Houlton, Wintringham and Myton Green have from the outset, been brought forward with a clear focus on the early delivery of quality public open space, thereby achieving up to 89 per cent in the early stages of delivery. As home construction started and expanded, this has naturally decreased as a percentage, though still today sits well above our 40 per cent long-term target. The Covid-19 pandemic has further reinforced the need for green space alongside homes and the importance that the metric has in creating communities and promoting wellbeing.

> As of 2020 over 65 per cent of our total site area is green space, though this is expected to even out towards our overall target of 40 per cent as house numbers grow. The aspiration is to ensure that no site falls below this target in its lifetime.

Action Area 2: Community Investment

Minimum Standard Metric

2025 Target: All contractors employed by Urban&Civic achieve a minimum Considerate Constructors Scheme (CCS) score of 40 out of 50[3].

Contractors are part of the Urban&Civic family and intrinsic to the successful delivery of our developments by sustainable means.

Whilst we assess the adequacy and competency of all our contractors during the prequalification, expression of interest and tender stage, the primary impact that our contractors have on our burgeoning communities is during the delivery stage. Whilst there are requirements within the contract for managing the manner in which projects are delivered and strategies for implementing change control throughout the life of a project, monitoring, reporting and actioning rectification should be a last resort. We work with all our contractors to ensure that they fully understand our required method of working and in tandem with this introduced a contractual requirement in 2017 for all our commercial projects above a particular contract sum to be registered on the Considerate Constructors Scheme. This was expanded to similar infrastructure contracts in 2020 to provide independent verification and a benchmark as to how schemes were seen to be delivered by a third party accreditation body.

In 2017/18, the average Considerate Constructors Scheme (CCS) score failed to meet our 2025 target benchmark of 40 points. Following concerted efforts during 2018/19 and 2019/20, our performance against this metric has improved resulting in our average site score slightly exceeding the 2025 target.

We do, however, acknowledge that the rate and quality of data collection across our sites needs to be enhanced. As numbers of contractors increase over the coming years, this will be a more challenging target to achieve, yet one which provides real insight into how individual contractors are addressing measures beyond their ability to provide quality work on time. A tailored action plan will be developed to address the common themes as they become more apparent from the increased data set to ensure that our commitment to excellent construction practices is adhered to on all our strategic locations.

Our average CCS site score currently stands at almost 43 points, equivalent to an 'Excellent' rating, though from a reduced data set that will be challenging to maintain in future years.

Action Area 3: Engagement and Consultation
Minimum Standard Metric

2025 Target: A minimum of 80 per cent of our staff being either satisfied or very satisfied with the internal communications of the Group[2].

We want to give our employees a voice in our business. To help further our efforts in this space, we have introduced a metric to capture our performance with respect to internal communications and employee satisfaction. Data against this metric has been sourced from a company-wide reviews carried out in 2018/19 and 2019/20.

Our employee engagement survey revealed that in 2019/20 71 per cent of our staff were either satisfied or very satisfied with our internal communications, showing an important improvement of 24 per cent over the previous year, compared with less than 8 per cent in 2019/20 being dissatisfied or very dissatisfied.

Furthermore, a survey was issued during the COVID-19 pandemic lockdown in England and 97 per cent of staff were either very satisfied or satisfied with the internal communications of the Group during this period.

Providing the right information is a top priority for us and we are committed to focussing our efforts on improving our performance in this area across all aspects of communication. We have developed an internal communications strategy and will be working with various committees within the business including the Employee Advisory Group to further refine the channels of communication which work best.

Our aim for 2025 is to raise the level of satisfaction for general communication consistently above 80 per cent, building upon the work undertaken this year during lockdown.

In 2019/20 71 per cent of our staff were satisfied with the level of communications with this rising to 97 per cent during lockdown.

1. Data for this metric has been collected from 4 sites in 2017/18 and 6 sites in 2018/19 and 2019/20.
2. Data for this metric has been collected from company-wide area support groups in 2018/19 and 2019/20.
3. Data for this metric has been collected from 3 buildings across 2 sites in 2017/18, 1 building on 1 site in 2018/19 and 3 buildings across 3 sites in 2019/20.

Case studies – Social

Waterbeach – Good neighbours

One of the consistent themes that came through from our community engagement with Waterbeach residents was their less than positive experiences of previous construction work on other non Urban&Civic sites. Urban&Civic committed, as we always do, not to put our construction traffic through the village, but residents remained sceptical.

With the start of works in 2020, we kept our promises and ensured all the factors were in place: robust design: the construction of a dedicated and secure construction access: good on site management: traffic marshals and road sweepers making sure there was minimum impact on the local roads; good signage and contractual commitments to manage drivers to the correct routes; and good communications to ensure residents and councillors knew it was happening, as well as hotlines to complain to if any issues emerged.

The team was able to deliver the first 30 large on site earth-moving vehicles in without any complaints and now the access is part of a huge operation to bring in materials, with no complaints from the village and positive recognition from the Parish Council at the way the first piece of work has been handled.

Priors Hall – Creating inspiring, sustainable play areas

Eight onsite play areas have been created at Priors Hall Park this year to provide challenging play experiences for children of all ages in a safe environment. The play areas form part of a wider programme to encourage outdoor activities and promote health and wellbeing in the community.

Working in partnership with Timberplay, the play areas offer LEAPS, NEAPS and LAPS designed to support children's development and provide a mix of areas for physical activity and social interaction. Set across three distinct areas; Town Gardens, Quarry View and Woodland Valley, the play areas blend with their natural environment, whilst recognising the history of the development which was previously a quarry.

Constructed from high quality timber, the play equipment includes a climbing wall, rope bridges, slides and toddler swings, while the 'Quarry View' site benefits from a range of digging and transporting equipment all sited within a gravel pit. There is also a wheelchair accessible section, with a fully accessible see saw, roundabout and a platform which allows views over the Zone 2 redevelopment and construction work.

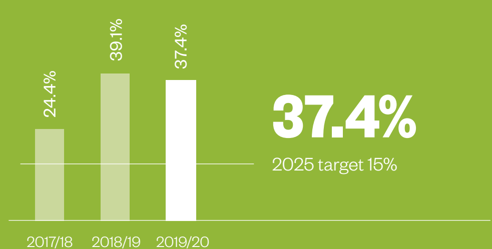
Economic

Objective:
Inclusive Prosperity

Why it matters

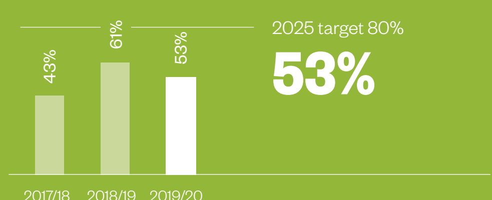
We believe that a successful project seeks to create economic value not just for Urban&Civic, its partners and customers but also for the wider society. As such, a fundamental element of our approach is to leverage our investment, skills and engagement to enable a demonstrable return for all stakeholders.

Action Area 1 – Good Quality Employment: Advancing knowledge, skills and expertise



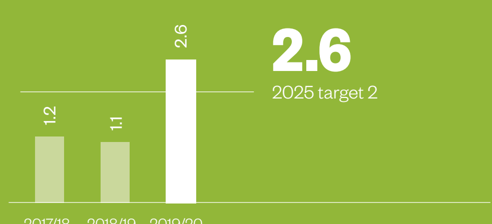
Evolution graph showing averaged employee educational outreach data

Action Area 2 – Economic Inclusion: Inclusive local growth activated from inception



Evolution graph showing averaged total value of direct contracts placed with local contractors

Action Area 3 Innovation and Entrepreneurship: Fostering creativity



Evolution graph showing averaged innovation case study reports published per strategic site

What we are doing

To achieve this objective, we have identified three action areas to provide a strategic focus for our efforts and commitments. First, to generate good quality employment including considerations around local jobs, apprenticeship and training opportunities, and STEM outreach. Second, to work towards economic inclusion by prioritising local suppliers and seeking to create opportunities specifically targeted at people from disadvantaged backgrounds. Third, to promote innovation and entrepreneurship both within our business and as part of the project delivery process.

Action Area 1: Good Quality Employment
Minimum Standard Metric

2025 Target: At least 15 per cent of our employees are actively engaged in educational outreach programmes[1].

Driving prosperity for us means improving the welfare of all people that we interact with. In addition to the direct creation of good quality, stable employment, we also place emphasis on the interaction with local communities to build long-lasting relationships which transcend beyond the specific project. Consequently we encourage our staff to actively engage in educational activities in the local community to help inspire the next generation of engineers, designers and construction teams by looking at the whole life cycle nature of the development and the variety of employment opportunities that this could lead to.

Throughout the last three years, the percentage of Urban&Civic employees actively engaged in educational outreach per year has stayed above the 2025 target.

In 2019/2020 we recorded an average of 37 per cent of employees who have been involved with some type of educational outreach activity. Engagement included careers fairs, school governance, mentoring, work experience and placements as well as site visits.

We find these results very encouraging. In light of this strong performance which exceeds our 2025 target, we intend to review this metric and the targeted level of performance as part of finalising the Sustainability Framework in 2021.

A consistent trend was observed in employee educational outreach with 37 per cent recorded in 2019/20 across a wide range of individual and community activities.

Action Area 2: Economic Inclusion
Minimum Standard Metric

2025 Target: At least 80 per cent of the total value of direct contracts is placed with local contractors[2].

The use of local contractors has many benefits to a scheme:

- less potential carbon emissions through transport;
- employment of local labour with the associated community support network;
- better health and wellbeing status of those employed through less travelled hours;
- more ability to use non-motorised user or public transport networks to travel to work; and
- engagement and response times being quicker.

Whilst we appreciate that specialist labour and contractors may not always be available to a scheme "locally", we have set ourselves a hard target of 80 per cent by value of contracts being secured from contractors with office bases within 25 miles of our site.

The reported data for this target has been calculated by totalling the value of direct contracts placed with local contractors and dividing by the total value of direct contracts.

Our analysis indicates an upward trend over the past three years. If this trend was to continue, our 2025 target would be met in the 2024/25 financial year.

Data shows that in 2019/2020 an average of 53 per cent of direct contracts were placed with local contractors. This is a slight reduction compared to the previous year when on average 61 per cent of direct contracts were entered into with local companies. The 2019/20 performance is, however, considerably stronger compared to the 2017/18 figures where only 43 per cent of direct contracts were qualified as "local".

We know this this will be a difficult target to realise by 2025 but the benefits are clear for the communities we are operating within.

Over half of the total value of our direct contracts during 2019 and 2020 were placed with local contractors.

Action Area 3: Innovation and Entrepreneurship
Minimum Standard Metric

2025 Target: Publish 2 case study reports per year per site disclosing information on innovative solutions and lessons learnt[3].

Innovation relies on good ideas, and good ideas are generated by people. Therefore, promoting a culture of innovation and creativity is paramount to ensure the adoption of new products, services and approaches both at corporate and site level.

As part of the Sustainability process commenced in 2019, we realised that many of our "good ideas" and wider strategic infrastructure solutions were not always being captured and shared across the business and that our "lessons learnt" were primarily populated by events and occurrences not to be repeated rather than what we wanted to do more of.

We have refocused our internal training to highlight best practice and set ourselves a target to publish at least 2 case studies per year for each of our Strategic Sites to incentivise our staff to record and share innovative techniques or approaches adopted in different locations. This fosters knowledge sharing and fast-track innovative ideas thus reducing the time required to make them standard practice across the wider business.

In 2019/2020 an average of 2.5 case study reports were published on innovative solutions deployed across our various sites covering subjects such as modular home construction at Houlton, supporting Cambridgeshire County Council and Cambridgeshire cycling campaign to design car-free access to our primary school at Waterbeach and the development of a Healthy Infrastructure Toolkit to inform the development of the sustainable design at Wintringham. This represents a significant improvement over the previous two calendar years during which an average of a little over 1 report was produced and already reflects the positive benefits this sustainability review is bringing to the wider business.

In 2019/20 an average of 2.5 innovation case studies were published per strategic site – a significant upward trend from previous years.

1. Data for this metric has been collected from 4 sites in 2017/18 and 6 sites in 2018/19 and 2019/20.
2. Contractors are classified as "local" if their offices are located within 25 miles of the relevant site. Data for this metric has been collected from 5 sites in 2017/18 and 2018/19 and 6 sites in 2019/20.
3. Data for this metric has been collected from 5 sites in 2017/18 and 7 sites in 2018/19 and 2019/20.

Case study – Economic

Alconbury – Jobs and skills

Alconbury secured funding from DfE as part of a national programme to attract and train people from disadvantaged and diverse backgrounds into roles in construction. The funding supported the establishment of a training hub in an old building on the former airfield. Working with housebuilders a number of key training courses were developed and delivered ranging from an introduction to construction and securing the CSCS card, to confidence, employability and interview skills. The programme also included a series of visits and programmes with Build Force, and Project Recce, which supports service personnel to find roles in construction and site management. In total 346 people were trained by the project, with 78 people placed into work. The learnings from the project are now being taken forward into an enhanced training hub on site at Alconbury and plans to launch a similar programme at Houlton. These hubs will focus on those made redundant by the economic impacts of Covid and working with Morris, Redrow and other housebuilders will seek to place trained up workers within the supply chains working across U&C sites.

Newark – Investing in a much-loved independent at Middlebeck

At Middlebeck, we partnered with Gannets Café, a well-established, family-run eatery in Newark, to bring a new venue to the development's community hub. As we did previously with the operators of community cafes opened at Houlton and Priors Hall, we have built a strong partnership with owner Neil Stevens and his team to help bring their second venue to market. A detailed launch campaign ensured its opening was a success, with a fully integrated three-month plan including a resident's brunch, Breakfast with Santa mornings, influencer marketing activity, social media competitions, geotargeted social campaigns and press placements. Although the team has faced unprecedented circumstances during its first year of business, we have continued to work closely to support the business throughout Covid-19 and lockdown, introducing incentives such as a loyalty card scheme and additional print and digital marketing support.

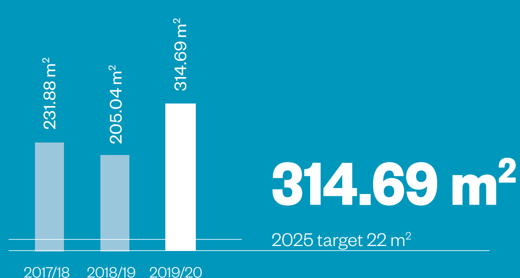
Natural

Objective:
An Environmental Net Gain

Why it matters

We invest not only in quantity but in quality of the green and blue infrastructure we provide. We seek to incorporate nature at the core of all our development sites, preserving existing features of value and capturing every opportunity to enhance the environment, enabling people and nature to flourish collectively.

Action Area 1 – Green and Blue Infrastructure
Connecting people with nature

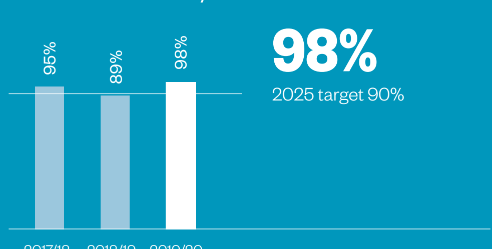


Evolution graph showing public green space per household

Action Area 2 – Enhanced Biodiversity:
Net gain on our sites

Evolution graph (no data reported for 2018/19) showing averaged biodiversity net gain data for 2017-18 & 2019-20 reporting periods

Action Area 3 – Resource Efficiency: Championing the circular economy



Evolution graph showing averaged construction waste diverted from landfill data

What we are doing

To achieve this objective, we have identified three action areas to provide a strategic focus for our efforts and commitments. First, to leverage our landscape-led design to deliver environmental net gain introducing usable, sustainable and nature rich green landscape incorporating quality green and blue infrastructure. Second, to achieve enhanced biodiversity through the application of the mitigation hierarchy (i.e. avoid and minimise impacts on biodiversity before looking to compensate), avoidance of losing biodiversity that cannot be offset by gains elsewhere, pro-active, early engagement with stakeholders, additionality (i.e. achieve nature conservation outcomes that exceed existing minimum obligations) and support for local-level management. Third, to maximise resource efficiency and the resilience of environmental ecosystems.

Action Area 1: Green and Blue Infrastructure
Minimum Standards

2025 Target: Provide a minimum of 22m² of safe, accessible and functional public green space per household[1].

As Master Developers we are responsible for the delivery and maintenance of blue and green infrastructure on our development sites for use by our residents. Providing a diverse range of safe, accessible and functional green and blue spaces is a critical element in our strategy. The delivery of inviting, high-quality green open spaces not only helps to bridge the gap between people and nature but also feeds into our carbon capture strategy.

The provision of the publically accessible green and blue infrastructure aligns with our wider aspiration to create 40 per cent of development land as green space. The two elements are complementary and intrinsic to the Master Developer strategy.

While the specific target is bespoke to Urban&Civic, we have selected a KPI inspired by the Indicators for Health in Sustainable Cities – WHO – in order to form the basis of a comparison as to how we are performing in this effort.

We are able to report that the provision of public green space as of 2019/20 significantly exceeds our 2025 target as set out above. Whilst there is variance across the sites, in 2019/2020 there was an average of 315m² of some type of accessible public green space per household constructed.

This quantum is naturally expected to reduce year on year as construction continues and the number of households grow. The downward trend at this stage is most evident in the case of Alconbury and Houlton where green space provision per household has reduced by 50m² since 2017/18.

Our level of current exceedance, however, is greater than expected and as such we will review this target to better represent the U&C vision for accessible nature in future metric analysis and may combine it with the wider green space ambition.

Exceeding our 2025 target for provision of safe, accessible and functional public space on average across all sites, though specific sites now need to be targeted to ensure compliance.

Action Area 2: Enhanced Biodiversity
Minimum Standards

2025 Target: Achieve a 10 per cent biodiversity net gain as a minimum on all our sites[2].

Biodiversity net gain is one of the three key objectives that Urban&Civic see as being fundamental to our identity as Master Developer and one which we already measure, monitor and learn from. We have been targeting improvements in this area and have set our target of 10 per cent ahead of any legislative requirement.

Each site we bring forward has a different ecological value and initial parameters to work with. Consequently, the potential to make ecological enhancements will differ significantly across different locations. In accordance with our commitment to increasing ecological value on all our developments, we have set ourselves a target to achieve a minimum of 10 per cent biodiversity net gain (BNG) by 2025 in all locations irrespective of the baseline conditions with an aspiration to deliver greater benefits where possible.

BNG is often measured at the outset of developments to gauge how sites may perform when under construction. Whilst some of our sites delivered positive BNG calculations at inception, they are short of our new 10 per cent target. We are working on these historic sites (Alconbury and Houlton started build in 2015) to determine how they can be retrospectively improved beyond that which was originally consented. We are under no illusion that this is a difficult process for some to achieve in a relatively short timescale, though have seen good results at Houlton since this positive intervention commenced.

As of 2019/20, each site is making progress towards meeting the 2025 target of 10 per cent biodiversity net gain. The average across the six sites for which data was available sits at 6.9 per cent within a range between 4-9 per cent. Based on current trends for Wintringham and Waterbeach, the 2025 target is expected to be achievable for both by 2022/23. In 2019/20 the Houlton site is demonstrating the greatest progress towards meeting the 2025 target achieving an anticipated 9 per cent biodiversity net gain. The Newark, Waterbeach and Wintringham sites all are currently shown to be on track to deliver minimum 7 per cent biodiversity net gain.

An average of nearly 7 per cent biodiversity net gain was delivered across our portfolio in 2019/20 demonstrating continued improvement whilst falling short of our 2025 target of 10 per cent.

Action Area 3: Resource Efficiency
Minimum Standards

2025 Target: Divert from landfill a minimum of 90 per cent Construction and 95 per cent Demolition waste[3].

We seek to maximise resource efficiency through the use of low-impact materials and adaptability embedded in the core design. At construction stage, our efforts are focused on reducing construction waste from the community buildings and infrastructure we deliver through effective management and diversion of any unavoidable waste away from landfill.

Given the size of all our developments and the delivery timescales, we always seek to achieve a cut and fill balance as part of our remediation and earthworks strategies when creating our development platforms. Outside this more basic level of engineering, the reclamation and re-use of existing material arising from previous uses is also important and has been exploited on all our sites, reducing export and import transport impacts and creating a wealth of material for re-use on site. We are also fortunate to have the space and time to remediate contaminated land on site well in advance of the need for the serviced parcels being created for our customers.

Demonstrating performance ahead of schedule in both 2017/18 and 2019/20, our averaged construction waste by weight diverted from landfill amounted to 98 per cent of all waste generated which exceeds the 2025 targeted level whilst the 2018/19 site measure only fell short of the 2025 target by 1 per cent.

In view of this strong performance which already exceeds our 2025 target, we intend to review this metric and the targeted level of performance as part of our wider metrics review exercise planned for 2021 in order to drive greater efficiencies from both our design and construction teams.

In 2019/20 an average of 98 per cent of construction waste was diverted from landfill, continuing a high level of recognition and awareness for environment management, symbolic of U&C developments.

1. Data has been collected from 4 sites in 2017/18 and 2018/19 and 5 sites in 2019/20.
2. Data has been collected from 2 sites in 2017/18 and 6 sites in 2019/20. No data has been acquired in 2018/19.
3. The target relates to construction waste generated by community buildings and infrastructure delivered by U&C. Data has been collected from 4 sites in 2017/18 and 2019/20, and 5 sites in 2018/19. It is noted that one demolition contract was handed out in the previous three years, but no data was acquired and therefore it is not included at this time.

Case studies – Natural

Waterbeach and Wintringham – Cross-site collaboration

The project teams at Waterbeach and Wintringham have been working together on the biggest cross-site collaboration in Urban&Civic's history. The Wintringham development at St Neots which has too much soil, from the areas dug out to create drainage systems, has been supplying Waterbeach where the ground levels need to be raised to make the natural drainage systems work most effectively.

This has been no small task, with about 140 loads per day making the journey, through 24 trucks in constant rotation. In total the operation will move 110,000m^3 which would otherwise have had to go to landfill from Wintringham and be separately imported to Waterbeach. The internalisation and simplification of these movements between our projects has reduced overall carbon emissions which would have otherwise been generated by this exercise.

The operation has involved considerable planning by the teams, which included carrying out geo-environmental tests to ensure the soil was suitable for the requirements at Waterbeach; planning to ensure the excavation programme at Wintringham coincided with the fill programme at Waterbeach; control of vehicle movements between sites to respond to what was happening on the ground; how the haulage costs would be shared between the projects – Wintringham do not have to pay for material removal as waste or storage and Waterbeach don't have to pay high import/purchase costs.

Alconbury – Next length of Garland Park opens

In line with the progression of Key Phase 1 at Alconbury, the next length of the linear park – which sits on the line of an old taxiway – has been opened up. The park is not only a key element of the heritage strategy – reflecting the footprint of history, both on the route the aircraft took, and the prayers and salutes offered as they passed the spire of Little Stukeley Church – but is also a tangible symbol of the robust Design Code which was set down in the planning for Key Phase 1. The Park is part of a series of Master Developer delivered green spaces between different housebuilder parcels. Along with the design codes each housebuilder works to, the green spaces ensure both a softening of the homes, and a natural break which ensures a gentle evolution between housebuilders, supporting the cohesion of the development. Critically the Park provides a safe walking and scooting to school route, which runs right through the centre of the phase, to the first Primary School.

This latest section includes play options for babies and toddlers to complement the play areas around it, as well as outdoor table tennis tables for the young at heart of all ages. The opening up coincided with the naming of the park after the first pilot to win the Victoria Cross in the Second World War – Donald Garland – who flew from Alconbury and lost his life in a daring raid on the Albert Canal in Belgium. The Park will also include an area named after his navigator Thomas Gray who died alongside Garland.

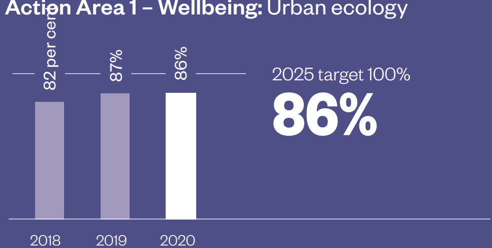
Human

Objective:
Personal Empowerment

Why it matters

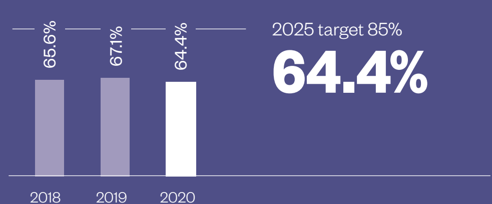
We aim to create distinctive spaces that enhance physical and mental health, improve quality of life and cultivate successful communities. We also invest in learning and training opportunities for our employees to ensure they feel empowered and proud to be working for Urban&Civic in the long-term, thus reinforcing our business longevity and resilience.

Action Area 1 – Wellbeing: Urban ecology



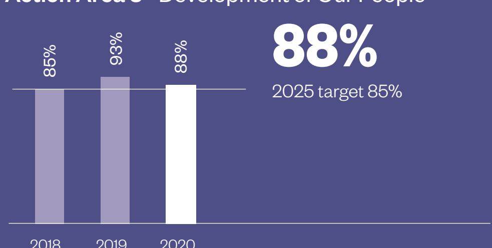
Evolution graph showing access to urban agriculture

Action Area 2 – Health and Safety: Safety, health & wellbeing



Evolution graph showing averaged contractors and housebuilders participation at monthly health and safety meetings data

Action Area 3 –Development of Our People



Evolution graph showing annual staff retention

What we are doing

To achieve this objective, we have identified three action areas to provide a strategic focus for our efforts and commitments. First, to nurture wellbeing on all our developments. This encompasses considerations relating to both physical and mental wellbeing for example, physical activity, local air quality, healthy diets and mental health support. Second, to protect the health and safety of our employees and all those associated with the Company. Incorporating health and safety in the learning process of all Urban&Civic staff and in our engagement with contractors and housebuilder partners is critical. Third, to invest in the development of our people encouraging personal empowerment and stimulating growth in learning both through meaningful 360-degree feedback and formal and informal on-the-job training.

Action Area 1: Wellbeing
Minimum Standards

2025 Target: 100 per cent of our sites offer permanent and accessible space for urban agriculture within 800m of all dwellings[1].

We use the WELL Building standard definition for eligible urban agricultural space which includes community gardens; edible landscaping; small farms or orchards; and private or rooftop gardens. However, in this case we are using measures that incorporate only the green space delivered by Urban&Civic (i.e. not gardens introduced by housebuilders).

All current dwellings at Alconbury, Newark and Myton Green are located within 800m of permanent and accessible space for urban agriculture and as such will need to be monitored as the site works develop over the coming years.

While the overall percentage of sites creating permanent and accessible space for urban agriculture within the required distance from dwellings has remained high throughout the last three years, we are aware that we do not currently meet the 2025 target across the portfolio. The average site provision for 2019/20 sits at 86 per cent.

There are two key areas to address here. Firstly the Houlton Key Phase 3 site does not currently incorporate such urban agriculture and as such the dwellings built here in 2019/20 sit outside the 800m radius of permanent and accessible space for urban agriculture. This will need to be remedied as this phase of the scheme grows.

The Corby site, which was acquired by Urban&Civic in 2017, currently has a low on-site provision and this has not been addressed to date. Such provision will form a key part of the future Zone 2 and Zone 3 planning consents which are set to increase the amount of permanent and accessible space for urban agriculture year on year from 2021.

Access to urban agricultural space within 800m was made available to 86 per cent of all dwellings constructed.

Apple picking at Houlton Orchard – 2020

Action Area 2: Health and Safety
Minimum Standards

2025 Target: At least 85 per cent of our contractors and housebuilders participate at our monthly project-based health and safety meetings[2].

High standards of health and safety lie at the heart of Urban&Civic's business. Engagement with our contractors and housebuilder partners is a key step in the process of ensuring that they have a comprehensive understanding of our health and safety rules and apply them consistently across our sites.

As part of our ongoing engagement with housebuilders and contractors, health and safety meetings are included within the site delivery programme from an early stage. Meetings cover future works, ensure communication lines are secure, look at lessons learnt, interface with residents and other stakeholders and ensure that health and safety remains a top consideration for all employed on a U&C development.

The percentage of contractor and housebuilder representation at these monthly project-based health and safety meetings has consistently been circa 65 per cent over the previous three years.

Recognising that the 2025 target is 85 per cent, it is acknowledged that improvement is needed. However whilst, as an average, the 2025 target is not yet being achieved the engagement on certain sites such as Myton Green is exceeding this target ahead of schedule. Myton Green's positive example demonstrates that the target for 2025 is achievable and provides valuable lessons which will be shared with the other sites to help boost their results.

There was a 65 per cent average participation rate of contractors and housebuilders at monthly health and safety meetings over the past three years.

Action Area 3: Development of Our People
Minimum Standards

2025 Target: Achieve an annual staff retention rate of 85 per cent as a minimum[3].

Ensuring our team feels valued and challenged is a strategic goal. By monitoring our annual staff retention rate we can understand trends and identify issues early on to tackle them promptly and efficiently.

The reported data is based upon the number of employees who remained employed for the measurement period (12 months) divided by the number of employees at the start of the measurement period. The assessment does not take into account employees hired within the measurement period.

The retention rate has remained high at over 85 per cent over the previous 3 years, peaking at 93 per cent in 2018/19.

Additionally, there has been a trend across the previous three years with growth in employment resulting in more people having been hired than departed the Company.

Given this consistently strong performance, which already exceeds our 2025 target, we intend to review this metric and the targeted level of performance as part of our wider metrics review exercise planned for 2021.

Our 2025 retention target of 85 per cent has been exceeded for the last three years.

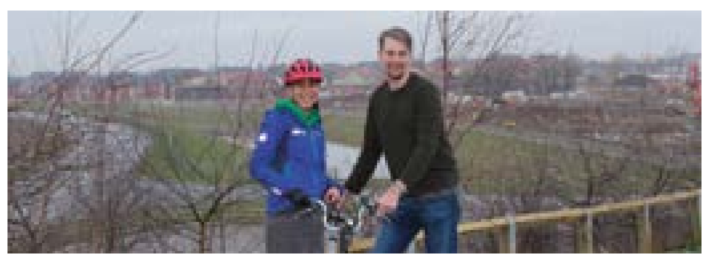
1. Data has been collected from 4 sites in 2017/18 and 5 sites in 2018/19 and 2019/20.
2. Data has been collected from 3 sites in 2017/18, 5 sites in 2018/19 and 6 sites in 2019/20.
3. Data has been collected from company-wide employment records in 2017/18, 2018/19 and 2019/20.

Case studies – Human

Alconbury – Health research project

Following Urban&Civic's membership of the Healthy New Towns Working Group alongside NHS England, the teams have been looking at best practice to ensure our developments learn the lessons from the nine schemes which took part in the Healthy New Town pilots, and explore how we can drive positive active behaviours and monitor health outcomes on a short, medium and potentially long term basis. A formal review of the design of Wintringham was carried out against the criteria of the principles of Healthy New Towns and this is now being turned into a guidance document for all future Urban&Civic developments.

Alongside this, Alconbury and Priors Hall Park took part in a pilot study with Imperial College London to explore how it was best to record physical activity levels; the activities people want to take part in and the barriers to taking part. The learnings from the pilots will now inform an annual programme of research, to help the developments evolve both the design and activation/events which encourage use of the spaces designed around active living.



Newark – Encouraging an active lifestyle with Sustrans

To help us achieve our goal in inspiring residents to use and benefit from the natural landscape around Middlebeck, the spaces we are creating and the natural connectivity of the town, we have forged an innovative partnership with national walking and cycling charity, Sustrans.

With a joint objective to encourage healthier lifestyles, greener travel and a deeper understanding and appreciation of the area's ecology, the collaboration will aid in the local delivery of Sustrans' Greener Greenways Project in Newark.

Through a varied programme of activities and initiatives, together we will promote active use of green spaces while educating residents and enhancing biodiversity on the traffic-free sections of the National Cycle Network. The project will see the delivery of a series of outdoor activities throughout the year, including wildlife walks, Forest School sessions, arts and crafts and group volunteering.

The journey forward

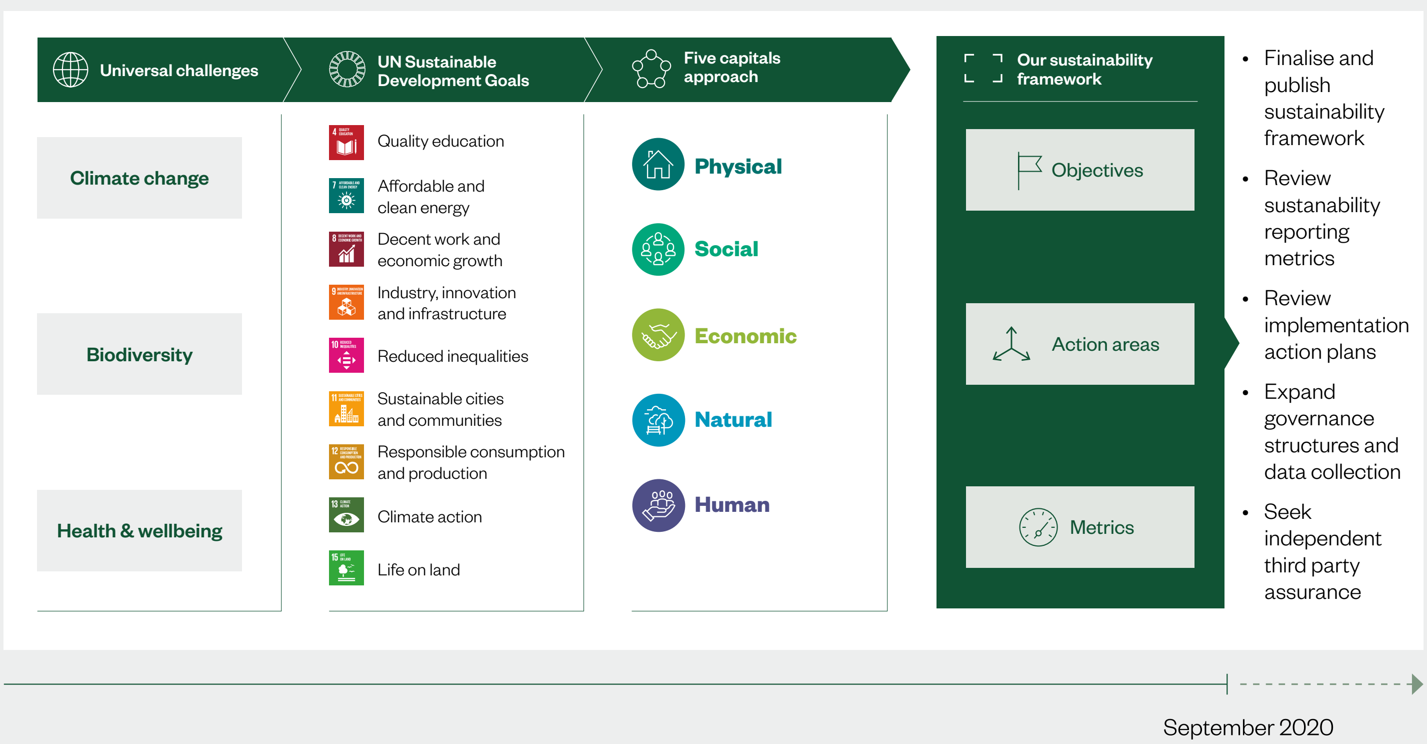
Since our inception we have been on a journey to create shared value for our shareholders, stakeholders and the wider communities in which we operate. We are well along our journey and we are committed to continuously evolving our approach to achieve stronger results for the benefit of all.

A new focus and understanding around sustainability is growing fast and we need to be clear and fully transparent on what Urban&Civic is already delivering and what we can do better. We know that this will require a flexible mindset and for us to continuously review and adapt our approach to sustainability and value creation.

Next steps

In this first year of business and project wide sustainability reporting, it is apparent that we have managed to reach or exceed some of the targets we had initially set ourselves. We also identified that there are alternative metrics which could capture the essence of our key work streams more effectively.

As part of finalising our Sustainability Framework in 2021 we are committed to undertaking a thorough review of our metrics, part of which will examine the target for each metric and assess its achievability and suitability to support the relevant headline objectives. We are confident that our headline objectives and action areas are still relevant and reflect our most material sustainability issues.



In 2020/21 we will review the definition of implementation/action plans comprising specific activities which will support the achievement of the strategic objectives and metrics identified for each capital. These will be linked to our individual sites and form part of development-based sustainability strategies.

We intend to build on our efforts in the area of stakeholder engagement with focused consultation reaching out to key parties, including housebuilder customers, to present and agree stakeholder metrics, levels of aspiration and scope of targets.

Following up on the work undertaken in 2019/20, in 2020/21 we will also expand the governance structure and data collection exercise to cover all revised minimum standard metrics. This will be followed by rolling out the site-specific and stakeholder metrics. We will work with an external consultant who will support us with the design of data collection systems and processes to ensure that we comply with best practice reporting guidelines.

As such, we intend to report against the published Sustainability Framework for the financial year 2020/21.

Longer-term outlook

We have set an initial five-year horizon for a formalised evaluation of our performance against criteria that we consider to be critical to our organisation as a responsible business.

Incremental growth and periodic review of our metrics is crucial to our approach, which will be based on the concept of continuous improvement. We believe that this will allow us to successfully respond to changing business needs, industry trends and stakeholder expectations.

Crucially, our framework has been conceived as a dynamic and future-proofed tool. It is designed as a 'live', progressive methodology that will be adapted as required to respond to shifting trends and expectations. We are committed to reviewing our targets on an ongoing basis. This will help us to continuously elevate our ambition and improve our performance.

The decision whether a thorough or partial update of our strategic approach is required will be informed by a regular in-depth research exercise encompassing a review of key market drivers, relevant regulation and sustainability trends.

The decision-making process will also take into account potential changes to Urban&Civic's operating model or business focus as appropriate to ensure that the Sustainability Framework remains relevant and ambitious.

In line with industry best practice, we will also be looking to obtain independent, third-party assurance of key elements of our sustainability data and associated qualitative information to ensure confidence in our disclosures during the financial year 2021/22, the year following our first full reporting period. Our expectation is that we will have to go through the full reporting process before submitting key metrics to an external verification in order to ensure that we have embedded all necessary systems and processes in place to enable efficient and transparent data collection and disclosure.

We will continue to explore ways to increase our positive impact and measure it more effectively to maximise the shared value we create. Our goal is to invest in new sites and manage existing ones with greater confidence and continue to build trust with our immediate stakeholders by demonstrating tangible and transparent results both for them and the wider society.

Our sustainability framework is in the pipeline for 2021

The strategic report contained on pages 2 to 63 was approved by the Board on 4 December 2020.

On behalf of the Board

Nigel Hugill
Chief Executive

Corporate governance review

“

Our governance framework supports the integration of our purpose, vision and values throughout our business.

ALAN DICKINSON —
NON-EXECUTIVE CHAIRMAN

This section of the Annual Report contains the following reports:

Dear Shareholder,

On 6 November 2020, the Board announced that the Company is subject to an Acquisition offer by the Wellcome Trust. Notwithstanding this offer, the Corporate Governance section of the Annual Report, including the Corporate Governance report and the reports of each of the Nomination and Governance, Audit and Remuneration committees, has been prepared to provide shareholders with a comprehensive understanding of how we meet the requirements of the UK Corporate Governance Code and in accordance with the Listing Rules, as the Company is a public company as at the date of this Annual Report. The individual committee reports set out their duties and responsibilities, a summary of the main activities of each committee during the year and their key focus areas for 2020/21.

The Company's early adoption of the 2018 UK Corporate Governance Code (the 'Code') as explained in last year's Annual Report, demonstrated our strong commitment to good governance. This report sets out our progress in governance areas, including the work undertaken this year to enhance our engagement with employees, which has helped us to better understand their views.

The governance report also provides an overview of the governance framework of the Group, describing how the Company has applied the main principles contained in the Code. The report will explain the mechanisms by which the Directors discharge their duties and meet their responsibilities to the Company and its stakeholders. Our engagement with our key stakeholders, identified as shareholders, employees, customers, suppliers and contractors, partners, local communities and Government and regulators, is explained on pages 20 to 23.

The Company confirms that, throughout the year ended 30 September 2020, it has complied fully with the principles and provisions of the Code and the report includes cross-references to other parts of the Annual Report to assist with reviewing compliance during the year. Compliance with Section 5 (Remuneration) is set out in the Directors' Remuneration report on pages 98 to 117. A copy of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

During the year the Board appointed Bill Holland as Non-Executive Director and Chair of the Audit Committee and I join my colleagues in welcoming him to the Board. Bill has attended all Board meetings held since his appointment but, in a year unlike any other, he and fellow Directors have been unable to attend a Board meeting in our offices since February 2020. Thankfully the technology available and the dedication of management has meant that our virtual meetings have been successful and seamless with the efficiency of proceedings unaffected by a lack of physical presence. Throughout the year, the Board has maintained regular contact with management who are to be commended on their open and comprehensive communications channels which have been invaluable in a challenging year.

Interestingly, the report of the 2019/20 Board performance evaluation presented to the Board in January (details of which are found in the Nomination and Governance Committee report) recognised that the real test of a Board's effectiveness occurs when there is a major crisis or setback. The following months saw the COVID-19 pandemic which must be recognised as such a crisis not only for our Company, but for people and economies throughout the world. The Board reacted immediately to the evolving situation, putting in place an Urgent Response Committee with the authority to take any decisions and actions as may be necessary on behalf of the Board, Audit Committee, Nomination and Governance Committee or Remuneration Committee.

The terms of reference of the Urgent Response Committee enabled meetings to be convened where a time critical decision or action required urgent approval and due to unforeseen circumstances it may not be possible to convene a meeting of the Board or a committee. Thankfully, to date, it has not been necessary to convene such a meeting but the prompt creation of the committee has provided a necessary safety net to ensure that the operations of the Board and the committees can continue despite the current challenging circumstances. Throughout the pandemic, in addition to the scheduled Board meetings, the Board has continued to meet regularly by video conference which has proved vital in ensuring that the Non-Executive Directors have been kept fully appraised of the ongoing and evolving implications on the business and its people. In addition, frequent and regular Board briefing reports were issued by management. In between our briefing meetings, executive management were in close contact with the Non-Executive Directors who provided strong support and guidance to management and staff through these difficult times.

The Nomination and Governance Committee oversees all matters relating to corporate governance and reports to and advises the Board as required on such matters. However, the Board retains ultimate responsibility for governance management and for the approval of all Group policies and governance related matters. Further information on the role of the Board and also the division of responsibilities between the Board and its committees and the Chairman, Senior Independent Director and the Executive Directors is set out in the governance report.

If the acquisition by the Wellcome Trust is delayed or does not proceed, the Company intends to hold an Annual General Meeting before the end of March 2021, at which members of the Board will be available to answer questions. Further details of the 2021 AGM will be provided in due course (if scheduled).

Alan Dickinson
Non-Executive Chairman
4 December 2020

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1. Alan Dickinson N

Non-Executive Chairman

Date of appointment 22 May 2014

Appointed as Chairman 24 March 2016

Career Alan has spent more than 50 years in banking, 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.

Skills and experience Alan has significant experience in leadership, banking and finance, strategic planning, development and implementation, risk management, investor relations and corporate governance.

External appointments Alan is deputy chairman and senior independent director of Lloyds Banking Group and a director of the England and Wales Cricket Board.

2. Nigel Hugill E

Chief Executive

Date of appointment 22 May 2014

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

Career 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. Nigel was a founding director, along with Robin Butler, and executive chairman of Urban&Civic Limited, which was established in 2009 and was a precursor to Urban&Civic plc. He was presented with the Estates Gazette Lifetime Achievement Award in 2016 and was awarded an Honorary Fellowship by the London School of Economics in 2020.

Skills and experience Nigel has strong sector knowledge and his experience provides skills in strategy, finance, risk management, investor relations and corporate governance.

External appointments Nigel is chairman of the Royal Shakespeare Company and the respected urban think tank Centre for Cities.

3. Robin Butler E

Managing Director

Date of appointment 22 May 2014

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

Career 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. Robin was a founding director of Urban&Civic Limited with Nigel Hugill in 2009, which was a precursor to Urban&Civic plc.

Skills and experience Robin's strengths include extensive knowledge of the property sector, strategy, project management, leadership and people management.

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

4. David Wood E

Group Finance Director

Date of appointment 1 July 2016

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

Career David previously held senior finance positions at Minerva plc, Multiplex Developments and Chelsfield plc. David is a qualified chartered accountant and has over 20 years of experience in the real estate sector.

Skills and experience David has strong experience in accounting, finance and banking and project management.

External appointments None.

5. Ian Barlow A N R

Senior Independent Non-Executive Director

Date of appointment 1 September 2016

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

Skills and experience Ian has experience in strategy, accounting, risk management, leadership and corporate governance.

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

6. June Barnes A N R

Independent Non-Executive Director

Date of appointment 22 May 2014

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

Skills and experience June's skills and experience are in risk management, leadership and people management and corporate governance.

External appointments June is currently a member of the Jersey Architecture Commission and the London Borough of Sutton Design Panel, and the Chair of Hornsey Housing Trust.

7. Rosemary Boot A R

Independent Non-Executive Director

Date of appointment 10 May 2019

Career Rosemary was the chief financial officer of Future Cities Catapult, one of a network of technology and innovation centres established by the UK Government. She has also worked at Circle Housing Group and was involved in setting up the Government-owned Low Carbon Contracts Company and Electricity Settlements Company. From 2001 to 2011 she was group finance director of the Carbon Trust, and prior to that, she worked for 16 years as an investment banker primarily advising large listed UK companies on mergers and acquisitions.

Skills and experience Rosemary has experience in strategy, management and investment, finance and banking and corporate governance and strong environment knowledge.

External appointments Rosemary is a non-executive director of Impact Healthcare REIT plc, a UK care home real estate investment trust that is listed on the London Stock Exchange, and is an independent non-executive director of Southern Water Services Limited. She has recently become a non-executive director of Triple Point Energy Efficiency Infrastructure Company plc. She is also a trustee of Green Alliance, the environmental think tank, and a director of Chapter Zero, the organisation that seeks to raise awareness and understanding of climate change as a business issue with non-executive directors.

8. Jon Di-Stefano N R

Independent Non-Executive Director

Date of appointment 1 September 2017

Career Jon joined Telford Homes as financial director in October 2002 where he built up a strong finance function and played a significant role in establishing relationships with the group's banking partners and institutional investors. Jon became chief executive on 1 July 2011 and is responsible for the group's strategic direction, the approach to risk management and all other long-term business planning. Telford Homes became a subsidiary of Trammell Crow Company and ultimately CBRE Inc. on 1 October 2019. Prior to joining Telford Homes, he had one year with Mothercare following five years with Arthur Andersen.

Skills and experience Jon has extensive experience in the property sector which has provided strong skills in strategy, accounting, finance and banking, risk management, project management, leadership, investor relations and corporate governance.

External appointments Jon is chief executive of Telford Homes.

9. Bill Holland A

Independent Non-Executive Director

Date of appointment 6 February 2020

Career Bill specialised in the provision of audit and accounting services to property companies in KPMG's real estate practice for 25 years, as a senior partner for 19 years, until August 2019. He was responsible for the audit of a wide range of property companies and funds encompassing investors, developers, housebuilders and surveyors in the listed and private sectors. He also sat on the finance committees of the British Property Federation and INREV, and on a working committee of The Association of Real Estate Funds. Bill is a fellow of the Institute of Chartered Accountants in England and Wales.

Skills and experience Bill has experience in strategy, accounting, risk management, leadership and corporate governance.

External appointments Bill is a non-executive director and chair of the audit committee of CLS Holdings plc, a property investment company listed on the Main Market of the London Stock Exchange, with assets in the UK, France and Germany. He is also a non-executive director and chair of the audit committee of Ground Rents Income Fund plc, a specialist long-dated ground rent REIT listed on The International Stock Exchange and traded on the SETSqx platform of the London Stock Exchange. He is a governor at Winchester College, chairing the estate committee and sitting on the finance committee.

10. Sanjeev Sharma R

Independent Non-Executive Director

Date of appointment 10 May 2019

Career Sanjeev has been a director of M&G Real Estate since 2001 and is chief property portfolio officer, where he has responsibility for portfolio management, operational teams and operational risk. Prior to joining the M&G group, he was head of human resources at NatWest Life Assurance Limited.

Skills and experience Sanjeev has strong leadership and people management experience.

External appointments Sanjeev is chief property portfolio officer of M&G Real Estate.

11. Heather Williams E

Company Secretary

Date of appointment 26 August 2015

Key responsibilities Heather is responsible for the Group's corporate governance and compliance with listed company requirements and Group policies. She provides support and advice to the Chairman and to the Board and its committees and is responsible for the management of Board procedures. Heather attends all meetings of the Board and the Nomination and Governance, Audit and Remuneration committees.

Career Heather is a fellow of the Institute of Chartered Secretaries and Administrators and has worked in the company secretarial area for over 20 years. She was previously company secretary to Petropavlovsk plc and to Helical plc. Her experience also includes nearly nine years as an investment trust company secretary.

Skills and experience Heather has significant company secretarial experience gained across a number of companies, strong governance skills and some HR experience.

Committee key

- A Audit Committee
- N Nomination and Governance Committee
- R Remuneration Committee
- E Executive Management Committee
- Committee chair

Corporate governance report

Introduction

The Board has adopted the 2018 UK Corporate Governance Code and the Board and its committees abide by the principles and provisions set out in the Code. This compliance is reviewed annually by each of the Board committees and by the Board as a whole. We ensure that the Group complies with all regulatory and governance requirements and guidelines in relation to all our activities, including financial reporting and accounting matters, accounting policies and practices, refreshment and diversity of the Board, succession planning and remuneration. This governance section of the Annual Report sets out the operations and activities taken by the Board and its committees in compliance with the Code.

Key activities in 2019/20

- Appointment of a new Non-Executive Director
- Management of the impact of the COVID-19 pandemic on our activities
- In-depth review of risk management particularly in light of the pandemic
- Enhanced employee engagement
- Development of succession plans for the Board and senior management
- Development of a sustainability framework
- Approval of the proposed new Directors' remuneration policy
- Development of our approach to monitoring culture

Key focus areas for 2020/21

- Continue to monitor the impact of the COVID-19 pandemic on the Group's strategy and performance
- Continued focus on risk management and internal controls
- Ongoing review of refreshment of the Board
- Further work on monitoring culture and embedding throughout the Group
- Implementation of the Directors' remuneration policy

Membership and meetings

The Board composition is six independent Non-Executive Directors in addition to the Chairman, Alan Dickinson, who was independent on appointment. The Group's Senior Independent Non-Executive Director is Ian Barlow. The Board reviews the composition of the Board and the membership of the Board committees annually and is of the opinion that the Board and committee structure continues to operate efficiently and effectively. This conclusion was supported by the external performance evaluation of the Board, details of which are included in the report of the Nomination and Governance Committee. We believe that the current balance of Executive and Non-Executive Directors is appropriate and that the structure of the Board ensures that the Directors take appropriate actions to promote the long-term sustainable success of the Company and to ensure that the Company meets its responsibilities to shareholders and other stakeholders.

As explained further in the report of the Nomination and Governance Committee, the Board reviews and assesses the knowledge, skills, experience and independence of Directors and we are satisfied that they carry out their duties and responsibilities effectively. We take into account the balance of the Board when considering any new appointments and the appointment process is described in the report of the Nomination and Governance Committee. During the year, Bill Holland was appointed as Non-Executive Director and chair of the Audit Committee and Jon Di-Stefano was appointed as a member of the Remuneration Committee. There were no other appointments during the year.

The Board held six scheduled meetings during the year and also held a number of unscheduled Board and committee meetings and a strategy meeting. These unscheduled meetings were held to discuss ad hoc issues, routine or administrative matters or matters of a time sensitive nature. In addition to these meetings, the Board held regular briefing sessions throughout the COVID-19 pandemic to ensure that it was kept abreast of the Company's operations and the impact of the pandemic on the business and its people.

Attendance at scheduled meetings is shown below. Attendance at committee meetings is shown in the individual reports of the Nomination and Governance, Audit and Remuneration committees.

Board leadership

The Board has established three committees with a membership of Non-Executive Directors and further information on the operation and activities of these committees can be found later in this governance section:

Nomination and Governance Committee	page 82
Audit Committee	page 91
Remuneration Committee	page 98

The Board is responsible for the appointment of the chair and members of Board committees and makes these decisions following recommendation by the Nomination and Governance Committee and in consultation with the relevant committee chair.

Following each committee meeting, a committee chair will provide a report to the Board setting out the activities and decisions of the committee and, where necessary, seeking further guidance from the full Board. Minutes of all committee meetings and a summary of associated action points are also circulated to all Directors following each meeting.

		Date of appointment	Tenure as at 30 September 2020	Meeting attendance
Alan Dickinson	Chair	22 May 2014[1]	6 years 4 months	**6/6**
Nigel Hugill	Chief Executive	22 May 2014	6 years 4 months	**6/6**
Robin Butler	Managing Director	22 May 2014	6 years 4 months	**6/6**
David Wood	Finance Director	1 July 2016	4 years 3 months	**6/6**
Ian Barlow	Senior Independent Non-Executive Director	1 September 2016	4 years 1 month	**6/6**
June Barnes	Independent Non-Executive Director	22 May 2014	6 years 4 months	**6/6**
Rosemary Boot	Independent Non-Executive Director	10 May 2019	1 year 4 months	**6/6**
Jon Di-Stefano	Independent Non-Executive Director	1 September 2017	3 years 1 month	**6/6**
Bill Holland	Independent Non-Executive Director	6 February 2020	7 months	**4/4**[2]
Sanjeev Sharma	Independent Non-Executive Director	10 May 2019	1 year 4 months	**6/6**

1. Appointed as Chairman on 24 March 2016.

2. Bill Holland was appointed as a Director on 6 February 2020 and was ineligible to attend two meetings which took place prior to his appointment.

Roles and responsibilities

The Board has established a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business. Key responsibilities are set out below.

Chairman – Alan Dickinson

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

Senior Independent Director – Ian Barlow

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

Chief Executive – Nigel Hugill

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

Managing Director – Robin Butler

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

Finance Director – David Wood

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

Company Secretary – Heather Williams

Key responsibilities:
- Secretary to the Board and its committees
- Advice on corporate governance and regulatory matters
- Implementation of Group policies and procedures
- Management of Board and committee procedures
- Inductions for new Directors

Operation of the Board

- All Directors are expected to attend scheduled Board meetings, the annual strategy meeting, the Annual General Meeting and all meetings of committees of which they are a member.
- Non-committee members may attend committee meetings by invitation and, where appropriate, members of the senior management team are invited to attend Board or committee meetings.
- Unscheduled or ad hoc meetings do not necessarily require the attendance of the full Board but papers are circulated in advance to all Directors who are given the opportunity to attend and to comment on the proposals. If any Director is unable to attend a meeting they are given the opportunity to discuss the agenda items and proposals in advance with the chair, or with the Executive Directors, and their comments and views will be recorded in discussions at the meeting.
- The Board considers the Company's stakeholders in its discussions, including shareholders and employees, and takes into account their views and feedback.
- The Company Secretary discusses each agenda with the chair of the meeting in advance of the preparation of papers. This process ensures that all appropriate matters relating to governance, regulatory and finance are addressed during the course of the year and that each committee complies with its duties as set out in its terms of reference.
- The culture of the Board is that meetings provide a forum encouraging open discussion and debate and a healthy degree of challenging to the Executive Directors by the Non-Executive Directors on the progress of operations and the strategy of the Group.
- The Non-Executive Directors provide support, guidance and advice to senior management as well as oversight to ensure that management is accountable for its actions in managing the Company's operations.
- The Board carries out a review of the Group's risk register and receives reports on the internal audit programme at every Board meeting. The Board retains ultimate responsibility for these areas, recognising the importance of management and the engagement of management committees for this process. The Board has previously agreed that, due to the size and structure of the Group, it does not recommend the appointment of a separate risk committee and has instead allocated the review of risk management and the internal control programme to the Audit Committee. The Board has appointed Grant Thornton to fulfil the internal audit function, a process overseen by the Audit Committee.
- The Chairman ensures that meetings are held with the Non-Executive Directors in the absence of the Executive Directors. The Senior Independent Director is also responsible for maintaining regular contact with the Non-Executive Directors. The Board holds informal meetings to facilitate discussions in an environment outside the more formal structure of a Board meeting.

Meetings held during the year ended 30 September 2020

	October	November	December	January	February	March	April	May	June	July	August	September
Board		● ○		○	●	●		●	○	● ○		● ○
Nomination and Governance Committee		● ○			●			●		●		
Audit Committee		●				●		●	○	●		●
Remuneration Committee		●	●	○		●		○		●		
Executive Management Committee		●		●		●	●		●			●

● Scheduled ○ Unscheduled

Board information and communication

Directors receive detailed agendas and supporting papers in advance of all Board and committee meetings. These papers contain market, property, financial, governance and risk updates together with any other papers relating to specific agenda items as required. These papers are supplemented at meetings by presentations and verbal updates by the Executive Directors, members of senior management or external advisers where appropriate. In between the scheduled Board meetings, ad hoc and transactional papers are circulated to the Directors as required. Non-Executive Directors regularly discuss the content and detail of papers circulated to the Board and provide feedback and requests to the Executive Directors where they feel that the provision of information is insufficient for their needs.

The Chief Executive provided regular detailed written reports to the Board throughout the COVID-19 pandemic to ensure that the Non-Executives were kept fully apprised of the evolving situation and Non-Executive Directors were invited to join the fortnightly staff briefings.

There is culture of open communication between Non-Executive and Executive Directors and the wider workforce with reports at each Board meeting by the Managing Director on meetings of the Executive Management Committee (EMC) and the Employee Advisory Group (EAG). Non-Executive Directors attend meetings of the EMC on a rotational basis and will be invited to attend the EAG meetings to discuss specific agenda items. All Directors have good visibility across the organisation and are well regarded and respected. The attendance by Non-Executive Directors at EMC meetings is seen as a positive experience from both sides, giving the Non-Executive Directors insight into the mechanics and operation of the EMC and helping them to integrate more into the culture of the Group.

Minutes of Board and committee meetings are circulated to all Directors after each meeting and are included in the following Board or committee pack. This ensures the opportunity for review prior to Board approval, enabling the Directors to confirm that the minutes provide an accurate record of the discussions held and the decisions taken. Any unresolved concerns by Directors about the operation of the Board or the management of the Company will be recorded in Board minutes. During the year, no such concerns were raised.

A detailed action list is circulated following each meeting and the Company Secretary co-ordinates the agendas and Board papers for the following meeting. This ensures good discipline in tracking action points and their follow up.

Company Secretary

The Directors have access to the advice and support of a professionally qualified and experienced Company Secretary, who provides strong and professional support to the Board and committees and works with the chairs of the Board and the committees to ensure that sufficient and appropriate information is made available for discussion. The Company Secretary is responsible for keeping the Board advised about governance developments in best practice and regulation, for planning the agendas for the annual cycle of Board and Committee meetings and for maintaining Group policies, processes and procedures. The appointment or removal of the Company Secretary is subject to Board approval.

Conflicts of interest

Under the Companies Act 2006 (the 'Act'), Directors are subject to a statutory duty to avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company. As is permissible under the Act, the Company's Articles of Association allow the Board to consider and, if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. Directors are required to notify the Company under an established procedure as soon as they become aware of any situation that could result in a conflict or potential conflict of interest. Any conflicts or potential conflicts are notified to the Chair without delay and formally noted at the following Board meeting. All new Directors are asked on appointment to declare any interests which may constitute a conflict or a potential conflict of interest. Details are included on the Company's register of conflicts, which is maintained by the Company Secretary. This is updated throughout the year as required, with a standing item on all Board agendas for Directors to confirm that no conflicts or potential conflicts have arisen, other than those already declared. All Directors also sign a compliance declaration as at the financial year end to ensure that all declarations made during the year are accurate and up to date. The Board considers these procedures to be working effectively.

Anti-corruption and bribery

The Group maintains a zero tolerance attitude to bribery and corruption and it is our policy to carry out our business in an honest, transparent and ethical manner. We expect all persons acting on our behalf to uphold this commitment and to ensure by their actions that they do not expose us or themselves to criticism or scrutiny. We are committed to acting professionally, fairly and with integrity in all our dealings and relationships and to implement and enforce effective systems to counter corruption and bribery in all their forms. We have established processes in place including the mechanism for reporting bribery and a means for recording gifts, hospitality and donations provided, made or received. We ensure that everyone in our organisation and that our agents and business partners know and understand our policies and their responsibilities. Annually, all employees are required to complete a declaration confirming compliance with the anti-bribery and other Group policies.

Whistleblowing

The Group's whistleblowing policy is reviewed by the Board annually. The policy sets out the procedures for employees or third parties to raise concerns about any suspected wrongdoing. Employees also have access to a wide range of alternative and informal routes through which to raise concerns. This reflects the open culture and strong internal communication channels of the Group and supports the formal whistleblowing policy we have in place. The Board receives a whistleblowing report at each Board meeting and will receive more detailed reports of any investigations that may take place. There were no issues reported to the Board under the whistleblowing policy during the year.

The Group's anti-corruption and bribery policy and whistleblowing policy can be found on our website.

Training

The Chair oversees the training needs of the Directors, who are each responsible for the development of their knowledge on an ongoing basis and the development of their own specific training needs. We encourage our Directors to attend relevant seminars and conferences, which supplements training and development briefings provided by senior management and the Company's advisers. Internal training takes place both by means of formal sessions within the forum of a Board meeting and by bespoke sessions organised as required between Board meetings. The induction process is the first stage of learning about the Group, its operations and culture and provides a good understanding of the business and its people.

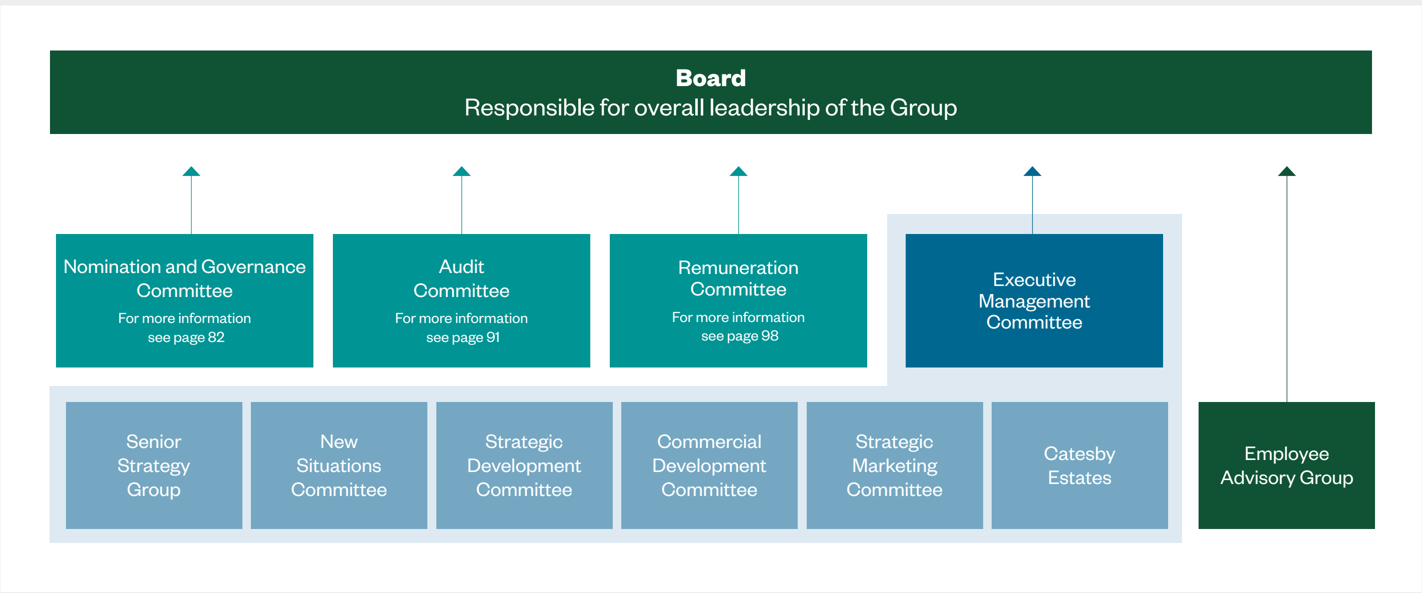
Site visit to Houlton, Rugby as part of Jon Di-Stefano's induction process – 2017

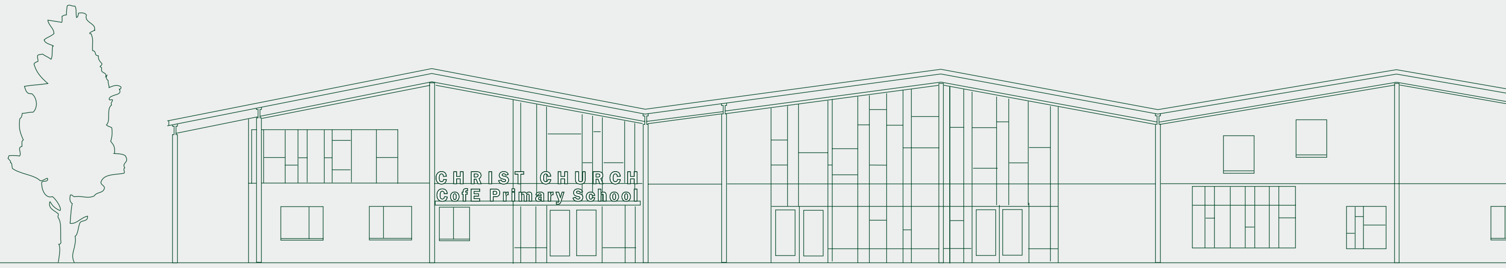
Governance at a glance

Board committee structure

The Board has established three Board committees, the Nomination and Governance, Audit and Remuneration committees, and has delegated specific areas of responsibility to these committees with a clear division of responsibilities in place. The Board has also approved terms of reference of the Executive Management Committee, whose members represent the senior management of the Group. It is vital that the Board retains control of key decisions and the reporting structure of the committees, as set out below, ensures that this control is retained.

Each of the committees has the authority to make decisions in accordance with its terms of reference, which are reviewed on an annual basis to take into account any changes to regulations and/or best practice. Any amendments to a committee's terms of reference are subject to Board approval and the Board therefore ensures that appropriate levels of delegation take place, without it losing overall responsibility for key areas.





Division of responsibilities

Board of Directors

Board meeting at the London headquarters – 2017

The key responsibilities of the Board are leadership and direction, setting the Company's purpose, values, strategy, objectives and standards and aligning with culture. The Board is responsible for the achievement of the long-term sustainable success of the Company and the generation of value for, engagement with and balancing of the interests between its shareholders, employees and other stakeholders.

A key role of the Board is to understand the views of stakeholders and to consider their interests and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making.

Further details are found in the Section 172 statement on pages 20 to 23.

Committees

Board site visit to Houlton, Rugby – 2018

Nomination and Governance Committee

Alan Dickinson (Chair)
Ian Barlow
June Barnes
Jon Di-Stefano

The key responsibilities of the Nomination and Governance Committee are to review the structure, size and composition of the Board and its committees and to manage succession planning for the Board and senior management. The Committee oversees the recruitment and induction process for new Directors and oversees the annual Board performance evaluation. The remit of the committee includes the development and review of the Group's governance framework and to oversee and monitor all matters relating to corporate governance.

Management committees

The EMC in discussion at the iMet building – 2018

The Board has overall responsibility for the financial performance of the Group, health and safety management and reporting, environmental and sustainability policies, the maintenance of effective risk management and internal control systems, the approval of procedures for the detection of fraud and the prevention of bribery, and review of the Group's whistleblowing policy and related reporting. Any significant acquisitions and disposals are subject to the approval of the Board, as are the interim and annual financial statements and the dividend policy. The Board has delegated the oversight of the Group's governance framework to the Nomination and Governance Committee but retains overall responsibility for corporate governance and for the approval of all core Group policies.

The Board is responsible for the assessment and monitoring of culture and ensures that policies, practices and behaviour throughout the Group are consistent with the Company's culture and values and support its long-term sustainable success. This is carried out in conjunction with all Group committees, both Board and operational, and by strong engagement with the workforce.

Audit Committee

Bill Holland (Chair)
Ian Barlow
June Barnes
Rosemary Boot

The Audit Committee is responsible for the Group's financial reporting and for the integrity of the financial statements. The committee oversees and monitors the risk management framework and oversees and monitors internal controls and the work of internal audit. It also supervises the relationship with the external auditor.

Remuneration Committee

June Barnes (Chair)
Ian Barlow
Rosemary Boot
Jon Di-Stefano
Sanjeev Sharma

The Remuneration Committee reviews and recommends to the Board the remuneration policy for Executive Directors and the structure of remuneration for senior management. It oversees workforce remuneration and related policies, ensuring alignment with the Directors' policy, and leads engagement with the workforce on remuneration matters. The Remuneration Committee is responsible for the review and assessment of the Executive Directors' objectives and achievements and the determination of the remuneration packages of the Executive Directors, the Company Secretary and senior management.

Executive Management Committee

The key function of the EMC, which is chaired by Robin Butler, Managing Director, is to oversee the implementation of Board strategy and policies and to provide feedback and recommendations from the executive team and the workforce to the Board. The EMC's role is to support the Board in the performance of its duties within the authority set out in its terms of reference, which cover areas such as strategy, operational plans, policies (including HR and workforce remuneration), procedures and budgets, health and safety reporting and the monitoring of operating and financial performance against targets, objectives and key performance indicators set by the Board. The EMC will examine all investments, realisations and major capital expenditure proposals prior to recommendation to the Board, and is responsible for optimising the allocation and adequacy of the Group's resources. The EMC assesses and monitors risk and internal controls and reviews the risk register at each meeting.

Management committees – key role

Senior Strategy Group	Overview and implementation of Group strategy
New Situations Committee	Oversight of new and potential pipeline projects
Strategic Development Committee	Oversight and reporting on infrastructure projects
Commercial Development Committee	Oversight and reporting on commercial projects
Strategic Marketing Committee	Oversight of the Group's communications functions (internal, external and site wide) and marketing strategies
Catesby Estates	Oversight and reporting on the Group's land promotion business

Main activities of the Board during the year ended 30 September 2020

Strategy/operations

- Focus on the Group's purpose, vision and values.
- In-depth discussions at each Board meeting discussing current uncertainties and the unprecedented challenges faced as a result of the COVID-19 pandemic.
- Regular reports on all areas of the Group's business and updates on the progress of developments.
- Review at each Board meeting of projects in the pipeline process.
- Review of minutes of every EMC meeting and regular updates from its chair, Robin Butler.
- Annual strategy meeting focusing on business plan and cash flow projections and the future resilience of the Company's strategy.
- Development of a sustainability framework.
- Confirmation at each Board meeting that health and safety standards are being maintained and regular reports on health and safety statistics across the Group's operations and its offices.

Leadership and people

- Appointment of Bill Holland as a Non-Executive Director and chair of the Audit Committee. Appointment of Jon Di-Stefano as a member of the Remuneration Committee.
- Reports from the chairs of the Nomination and Governance Committee and Remuneration Committee following each committee meeting.
- A Senior Strategy Group was established during the year to further develop strategic planning. This structure also assists as a tool for succession planning.
- Approval of increases to the fees of the Non-Executive Directors in November 2019.

Governance discussion during site visit to Houlton, Rugby – 2018

Chairman and CEO in discussion – 2018

Legal and regulatory/governance

- Attendance at a Board meeting by an external consultant, Belinda Hudson, who presented the results of the 2019 Board evaluation process.
- Annual review of the Group's compliance with the UK Corporate Governance Code.
- Review of the compliance processes in place in relation to modern slavery regulations and approval of the Modern Slavery statement.
- Review of Directors proposed for re-election at the AGM and assessment of their contribution and the reasons supporting their re-election.
- Annual review of key Group policies and the terms of reference of the Board committees, approving minor amendments to reflect updates in governance guidelines and best practice.
- Ongoing review of conflicts/potential conflicts of interest of the Directors.

Board visit to Newark – 2015

Culture

- Strong communication and engagement between Non-Executive Directors, Executive Directors, management and the workforce.
- Throughout the COVID-19 crisis, the Board provided ongoing support to senior management and the employees.
- Review of succession tools in place to motivate senior management and their reports.
- Review of the outputs and comments arising from meetings of the Employee Advisory Group.
- Discussion and identification of corporate values.
- Initial work on the monitoring of culture, building on our corporate values.
- Report and feedback of staff events and surveys.

Risk governance

- Regular review of reports covering the Group's risk processes for the identification, management and mitigation of risk and emerging risk.
- Review of project risks for each of the Group's developments.

Financial planning and performance

- Oversight of financial and operational performance and of all related reporting during the year.
- Discussion of COVID-19 response reports covering key areas relating to the Group's financial position.
- Approval of business plan and three-year forecasts.
- Approval of 2019/20 budget.
- Approval of Group loan facilities.
- Review of dividend policy.
- Reports from the chair of the Audit Committee following each committee meeting.
- Approval of the Annual Report and Accounts and interim results.

Internal controls and assurance

- Internal controls reports provided by the internal auditor.
- Regular reports on the Group's GDPR compliance.

Chief Executive briefing the team on market conditions – U&C away day 2017

Shareholders

- Discussion of engagement with major shareholders, including feedback from any meetings held.
- Consultation with major shareholders on the new Directors' remuneration policy.
- AGM held in February.

Our Chief Executive and Company Secretary in discussion – 2015

Employee engagement

The culture of our Group is to create and maintain an environment where open communication between the workforce, senior management and the Board is encouraged. Our headcount has grown significantly over the last few years and as a result our approach to people management practices and policies has developed, in particular in relation to employee engagement. The creation of the Employee Advisory Group reflects the intention of management to create a more structured relationship with employees and to establish a mechanism by which the views of the workforce are formally communicated to the Board to enable these to be factored into Board decisions. We have retained existing ways of communication with employees such as the annual staff away day, albeit virtually in 2020, and these have been complemented by a series of new initiatives to enhance and develop our communication.

Non-Executive Directors are encouraged to spend time with management in the absence of the Executive Directors, which has strengthened the relationship with senior management and contributed to a greater understanding of Group culture and of issues affecting the workforce. Members of senior management are regularly invited to attend Board meetings, enhancing the open dialogue between Non-Executive Directors and those below Board level. The Board also receives reports on the outcome of any employee surveys conducted including the feedback from staff and any actions proposed or taken by management in direct response to the feedback.

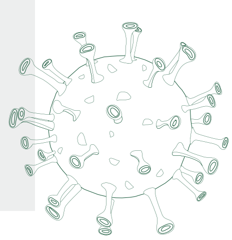
The following examples demonstrate how we have engaged with our employees during the year, helping them to have a visibility of the culture of the Group.

Employee Advisory Group

The EAG was established during the year to provide a conduit for the interface between the workforce and management and the reporting ensures that the Board is kept aware of workforce concerns and priorities. The EAG consists of 18 members, representing all business areas and geographical locations of Group offices and projects. The purpose of the EAG is to improve the working environment for employees and to enhance their engagement, and ultimately their efficiency, at work. The EAG meets six times a year and meetings are scheduled to take place in advance of the EMC meetings, to ensure that any issues raised can be discussed by the EMC without delay, prior to presentation to the Board at its next meeting. Robin Butler, the Managing Director, was elected by the EAG to represent its views to the Board. However, no Executive Director is a member of the EAG and Directors attend by invitation only. A range of topics were discussed during the year including the performance appraisal process, remuneration policies, flexible working, employee wellbeing, the introduction of an intranet and COVID-19 office protocols. Meetings are minuted and the minutes are circulated to the Board. Shortly after each EAG meeting, a limited number of representatives of the EAG meet with Robin Butler for more dialogue on the subjects raised, to assist with subsequent representation to the Board.

Support to employees during COVID-19

Lockdown initiatives included enhanced learning and development opportunities, regular team meetings, initial weekly briefings by means of a presentation and written updates, kids-friendly calls, a virtual quiz and fitness challenges such as the mileage challenge during May, with 35 staff clocking up nearly 1,700 miles between them in just over three weeks. The importance of strong communication with employees was recognised by management who built on existing channels and developed new initiatives in response to the enforced period of working from home. Staff feedback has been very positive with the communication in place being highly valued and appreciated. Management was quick to revise certain protocols surrounding the return to office working in direct response to feedback from staff demonstrating that the views of the workforce were fully considered when making these decisions.



Induction process

The induction process for all new employees has been enhanced during the year and includes information on the individual's place of work, role and training, together with an introduction to the Group and its values. Any necessary regulatory training, including health and safety, is also included. Newly appointed employees attend a presentation by Executive Directors and senior management, introducing them to the Group, covering areas such as the history and structure of the Group's business, vision and values, operations and Group policies and processes. Bespoke induction meetings are also organised, tailored to individual roles.

Open door culture

All our offices are open plan with no individual having their own office. This creates an environment of open discussion, effective communication and direct feedback from employees to management. All our staff are encouraged to visit other offices and to visit the sites of our operations to create a strong sense of unity, despite geographical separation. During 2020 the physical attendance at offices has been severely impacted by COVID-19 and, as a result of the pandemic, staff are temporarily unable to attend other offices or sites unless required for a business reason, in line with Government guidance. We hope that during 2021 such visits will be able to resume. In the meantime, communication between employees and management has been strong with regular contact taking place and a fortnightly online briefing by the Chief Executive. In addition, all colleagues have been encouraged to keep in regular contact despite the challenges of physical meetings. Feedback from employees is that they have welcomed this communication and management has acted on this feedback. For example, the initiative of fortnightly briefings by the Chief Executive will be maintained notwithstanding the return to more normal working conditions.

Learning and development

Strong progress has been made in the area of learning and development during the year and this important area will remain a focus for management to ensure the ongoing training and talent management of all employees, who are encouraged and assisted in their development. This function links with the performance and development process which supports a continuous process of performance management, provides two-way feedback between employees and their line managers and is a useful tool for identifying gaps in skills and training, and opportunities for personal development. Management fully supports the learning and development function which implements the Group's policy of investing time and resources in its workforce as part of the overall career development strategy. A varied programme of learning and development events was put in place during the lockdown period this year with weekly presentations on a variety of topics, complemented by a comprehensive programme of e-learning opportunities. This covered both mandatory training for all staff such as modern slavery, anti-bribery and money laundering modules together with role-specific modules. Several of our employees volunteer in roles outside the organisation enabling them to utilise their knowledge to the benefit of others and to gain experience elsewhere. This is viewed as a useful and incentivising tool for development and is encouraged by management.

Retention of staff

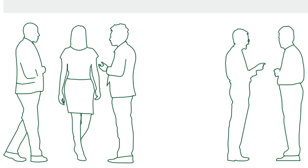
Staff turnover in the Group is low demonstrating the effectiveness of our recruitment and retention policies, which encourage stability. We have developed these policies during the year, in particular succession planning mechanisms. The average length of service across the Group is:

Executive Directors	10.8 years
Senior management	10.4 years
All other employees	4.6 years

Exit interviews take place with all leavers and a report identifying any significant issues or trends is maintained by the HR Manager and presented annually to the Remuneration Committee.

All-staff away day

In 2020 our annual staff away day took a virtual form with an "In" Day taking place by means of an online broadcast. It was impossible for us all to be in the same location due to social distancing guidelines but the event proved, as usual, to be a valuable tool for communication with informative updates on the Group's operations and performance.



Remuneration and benefits

The Remuneration Committee oversees all Group remuneration and benefits policies and, with the assistance of the HR Manager, considers employee opinions and feedback on remuneration policies and processes. During the year, the Remuneration Committee reviewed the Directors' remuneration policy. As part of the consultation process June Barnes, chair of the Remuneration Committee, attended a meeting of the EAG. During this meeting she set out the proposed changes to the Directors' remuneration policy in the context of the wider governance and remuneration structure of the Group. The alignment to the workforce policies was also explained. Comments from the EAG were welcomed and any feedback was communicated to the Board.

We consider external market data when structuring our remuneration policies and seek to ensure that our employees are competitively rewarded. Staff have access to an Employee Assistance Programme providing confidential advice and support.

Internal communications

Internal communications during the year were strengthened and took on more significance as a result of the COVID-19 situation. The importance of everyone in the Group hearing messages regularly and at the same time was acknowledged and our internal communications team reacted accordingly. Feedback from staff was that internal communications throughout lockdown had been very strong and well received, with employees generally feeling that they were better informed about the business as a result of the initiatives. It is our intention to build on this information platform going forward. During the year, the EMC oversaw the introduction of a Group intranet which provides a central location for all staff to access key information and policies and operational updates, therefore enhancing the sharing of information.

Health and wellbeing

During the year, an employee health and wellbeing survey took place and the themes identified in the survey will contribute to the Group's health and wellbeing policy, which we intend to launch in 2021. This policy will represent the feedback from employees and will address any concerns they may have. The policy will be based around three concepts:

- Thinking well
- Living well
- Working well

Stakeholder accountability

Employees

Read more on pages 78 and 79

Customers

- Housebuilders
- Businesses
- Homeowners

Suppliers and contractors

- Principal contractors
- Consultants
- Utility companies

Partners

- Local authorities
- Landed estates
- Government departments
- Homes England
- Investment funds

Local communities

- Individuals
- Community groups
- Local businesses
- Homeowners

Government and regulators

- Local authorities
- Government departments
- Homes England

Shareholders

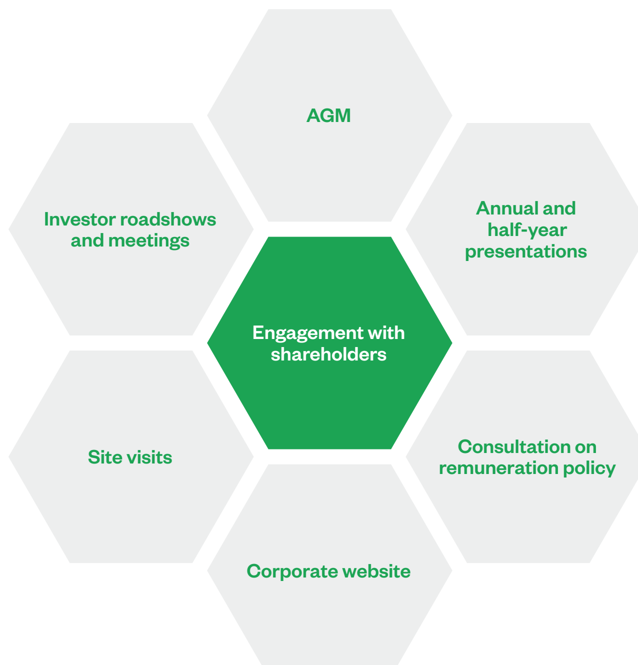
- Investment funds
- Private investors

Read more in our section 172 statement

pages 20 to 23

Engagement with shareholders

Engagement with existing and potential shareholders is given a high priority by the Board, which believes that understanding the views of shareholders is key to the decision-making process of the Board and to the success of the Company. The Chairman, the Chief Executive and the Finance Director are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year to communicate the Company's strategy and performance and to hear their views. Ian Barlow, as Senior Independent Non-Executive Director, is available to meet with shareholders at their request to discuss any issues or concerns they have or, if other communication channels fail, to resolve queries raised. He is willing to hold meetings with shareholders whenever requested. The chairs of each committee are also available to discuss with shareholders any matters relating to their responsibility. During the year June Barnes, the Chair of the Remuneration Committee, sent a consultation letter to major shareholders in relation to the new Directors' remuneration policy. Details of this consultation process can be found in the report of the Remuneration Committee.



The Board reviews a report on the Company's major shareholders at each Board meeting, together with feedback from any meetings with investors and analysts. This enables Directors to develop a good understanding of the views of the Company's major investors and to discuss issues of importance with them, and with our other stakeholders. We take these issues and feedback into account in our Board discussions, which helps to inform our decision making process.

Annual General Meeting

The Company's Annual General Meeting provides an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. Details of the 2021 Annual General Meeting will be provided to shareholders separately. It will only be scheduled if the acquisition by the Wellcome Trust has not completed before the end of March 2021. 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.

All Directors are subject to annual reappointment by shareholders. Biographies of Directors are on pages 66 and 67 and, if the 2021 AGM is held, separate resolutions relating to their election or re-election will be contained in the notice of meeting. The notice of meeting will also include the contribution and reasons for the re-election and reappointment of Directors, in accordance with the Code.

The Company will give shareholders at least 20 working days' notice of Annual General Meetings and details of the resolutions to be proposed at the AGM will be included in the notice of meeting which will be circulated separately to shareholders if the AGM is scheduled.

All resolutions at the 2020 AGM were passed with at least 80 per cent of votes in favour. If 20 per cent or more of votes are cast against a resolution at an AGM, we will explain what actions we intend to take to understand the reasons behind the result.

Annual Report and Accounts

The Board has considered the Group's Annual Report and Accounts for the year ended 30 September 2020 and is satisfied that taken as a whole it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

Heather Williams
Company Secretary
4 December 2020

Case studies

Internal communication – A greater focus

Over the last ten years we have been growing and continually evolving, with employee and project numbers increasing, the type of roles diversifying and offices becoming more geographically spread; however, the challenges facing effective internal communications have also increased.

Building on earlier feedback through the away day and team surveys we had already recognised the need for a new approach and consequently invested in technology to improve internal communications. Covid-19 put that technology and approach to the test.

One of our top priorities as a business was to ensure our employees felt they were kept fully informed and supported during this period. We immediately supplemented the regular methods of internal communications with a range of additional channels. These included weekly email updates from the Chief Executive and a weekly L&D newsletter, along with weekly all-staff briefings via Microsoft Teams led by the Chief Executive and Managing Director providing updates from across the business and the wider housebuilding industry. To maintain a sense of camaraderie and support general wellbeing, a number of social events took place including the U&C Pub Quiz, online lunches and cocktail hours and child and pet friendly team calls featuring a range of activities including poster design and fancy dress.

As part of the ongoing work towards the development of an internal communications plan, we conducted an internal communications survey in February 2019, and analysed the results alongside qualitative feedback from the 2018/19 appraisal process. A further survey was carried out in early 2020 before the Covid-19 travel restrictions and home working regulations came into force. During lockdown we carried out a pulse survey to test the reaction to internal communications during the lockdown period and also to understand what changes, if any, needed to be made to our internal communications.

From the survey data, engagement with the EAG and our collective experience during lockdown, we have crafted an internal communications plan entitled Achieving Harmony – Avoiding Cacophony, which works for Urban&Civic and will help underpin our core values, build on our strong Company culture and make what we do an even more engaging environment for employees.

Nomination and Governance Committee report

Committee members

Alan Dickinson (Chair)

Ian Barlow

June Barnes

Jon Di-Stefano

Key activities in 2019/20

- Appointment of a new independent Non-Executive Director
- Focus on succession plans for senior management
- Oversaw the results of the 2019 Board performance evaluation
- Assessment of compliance with the Modern Slavery Act
- Review of equal opportunities policy monitoring

Key focus areas for 2020/21

- Continued implementation of the recommendations arising from the 2019 Board performance evaluation
- Continued review of succession plans for the Board and senior management
- Development of a succession plan structure for all employees across the workforce
- Development of recruitment practices to further enhance diversity within the Group

Introduction

I am pleased to present the report of the Nomination and Governance Committee for the year ended 30 September 2020. The report sets out the membership and operation of the Committee together with a summary of its key activities during the year. The report also explains our procedures with regard to the composition of the Board and appointment of new Directors, our approach to succession planning throughout the Group, the measures in place to ensure diversity and equal opportunities in the Group and the 2019/20 Board performance evaluation process. We oversee the recruitment, retention and development processes in place throughout the Group to ensure an effective and diverse succession pipeline and I specifically report on the progress we have made in this area during the year. The Committee also oversees the Group's governance framework and policies on behalf of the Board and the report includes a summary of the governance work the Committee has undertaken during the year.

During the year, on the recommendation of this Committee, the Board appointed Bill Holland to the Board as Non-Executive Director and Chair of the Audit Committee and a summary of his appointment process is found later in this report. We also reviewed membership of the Board committees and recommended the appointment of the Jon Di-Stefano to the Remuneration Committee.

Key responsibilities of the Nomination and Governance Committee

Board composition

Review the ongoing composition of the Board and its committees to ensure an effective structure.

Lead the appointment process for new Directors.

Succession planning and talent management

Ensure adequate plans are in place for effective succession planning at management and Board level.

Review the measures in place for the development and retention of senior management.

Diversity and equal opportunities

Ensure a balance of skills, knowledge, experience and diversity.

Encourage diversity throughout the Group and oversee a diverse pipeline for succession.

Review the Group's equal opportunities monitoring to ensure compliance with Group policies.

Governance

Oversee the Board performance evaluation process.

Review and develop the Group's governance framework and policies.

The Committee reviews its terms of reference annually to ensure they are up to date and relevant. Terms of reference: **www.urbanandcivic.com/governance/nomination-committee**

Membership and meetings

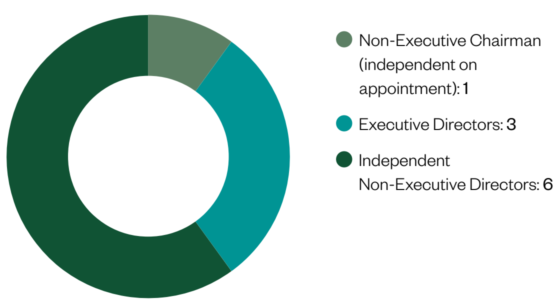
There were no changes to the composition of the Committee during the year, which is reviewed by the Board annually and complies with Provision 17 of the 2018 UK Corporate Governance Code. The Chairman was independent on appointment and the Board considers all other Non-Executive Directors seeking election or re-election to be independent.

Members of the Committee attend all meetings, and their attendance at the four scheduled meetings held during the year ended 30 September 2020 is shown below.

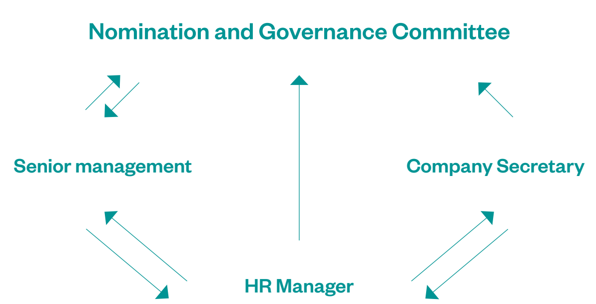
		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2020	Meetings attended/ eligible to attend
Alan Dickinson	Chair	Yes[1]	22 May 2014	6 years 4 months	**4/4**
Ian Barlow	Member	Yes	1 September 2016	4 years 1 month	**4/4**
June Barnes	Member	Yes	22 May 2014	6 years 4 months	**4/4**
Jon Di Stefano	Member	Yes	13 February 2019	1 year 7 months	**4/4**

1. On appointment.

Board composition



Key information flows



Operation of the Committee

- All members of the Committee and the Company Secretary attend the Committee meetings with other Directors, the Group's HR Manager and advisers attending by invitation as required.
- As Chair of this Committee and the Board, I will not chair meetings when dealing with any matters relating to the role of Chair including the appointment of my successor.
- Agenda items are linked to an annual calendar of regulatory and governance discussion items to ensure that the Committee carries out a thorough and effective review of all relevant areas.
- The Group's HR Manager provides comprehensive papers for agenda items where required and ensures that adequate consideration is given to key areas such as succession planning, diversity and equal opportunities monitoring.
- The Committee annually assesses its own performance and a further assessment of the role and effectiveness of the Committee took place as part of the Board evaluation process, as detailed later in this report.

> We seek to create an open, diverse and inclusive working environment which we believe will maximise the drive, commitment and performance of our employees to work together in the achievement of our strategic goals.

Alan Dickinson
Chair of the Nomination and Governance Committee

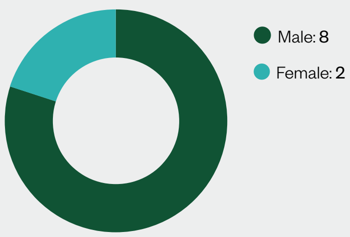
Board and senior management at a glance

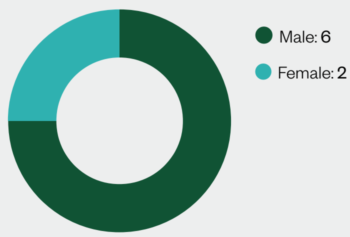
Directors

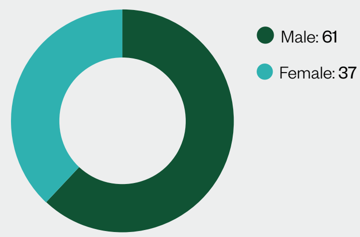
Senior management (EMC members excluding Executive Directors)

Employees (excluding Executive Directors)

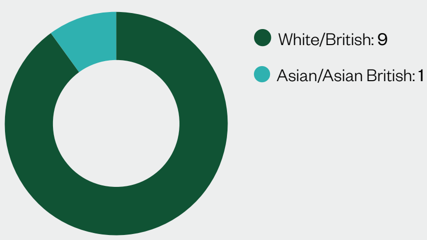
Gender diversity

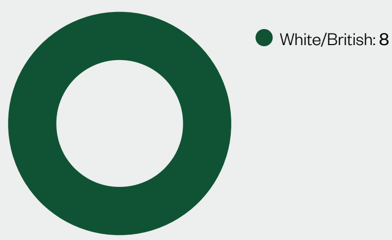


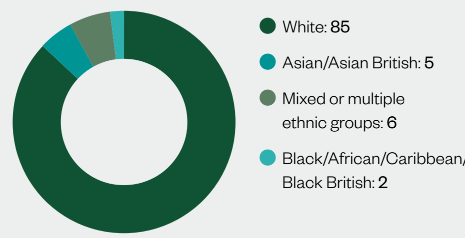




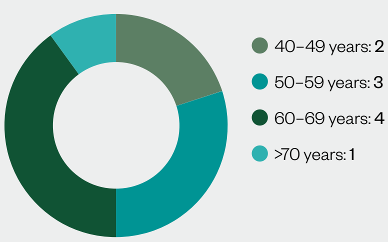
Ethnic diversity

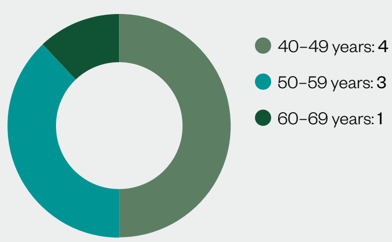




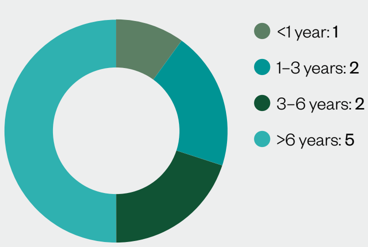


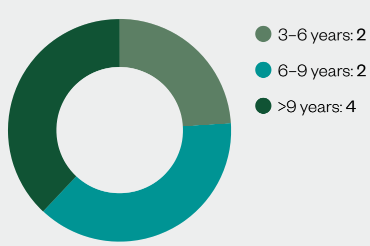
Age diversity





Length of tenure/service





Composition of the Board and Directors' skillset

A summary of the governance and committee structure of the Group is found in the corporate governance report which also summarises the responsibilities of the Board committees (Nomination and Governance, Audit and Remuneration) and key management committees. A more detailed explanation of the role, responsibilities, structure and activities of the three Board committees is found in their respective reports. The governance report also includes a summary of the division of responsibilities between the Chairman, Senior Independent Director and Executive Directors.

The Board consists of a Non-Executive Chairman, who was independent on appointment, three Executive Directors and six independent Non-Executive Directors.

The Committee and the Board consider annually the constitution of the Board and the membership of the committees, assessing the balance of Executive Directors to Non-Executive Directors and the independence of Non-Executive Directors. We also analyse the skills, knowledge, experience and diversity of Directors which we take into account when considering succession planning to ensure diversity of the Board. We are mindful of the need to balance the continuity of Directors to benefit from the experience they have gained on the Board of the Company with the need to have in place effective succession plans to ensure a progressive refreshment of the Board. We are satisfied that both the Board as a whole and individual Non-Executive Directors maintain an effective and constructive relationship with the Executive Directors and management and that the current composition is appropriate and effective in fulfilling Board responsibilities and ensuring informed boardroom debates.

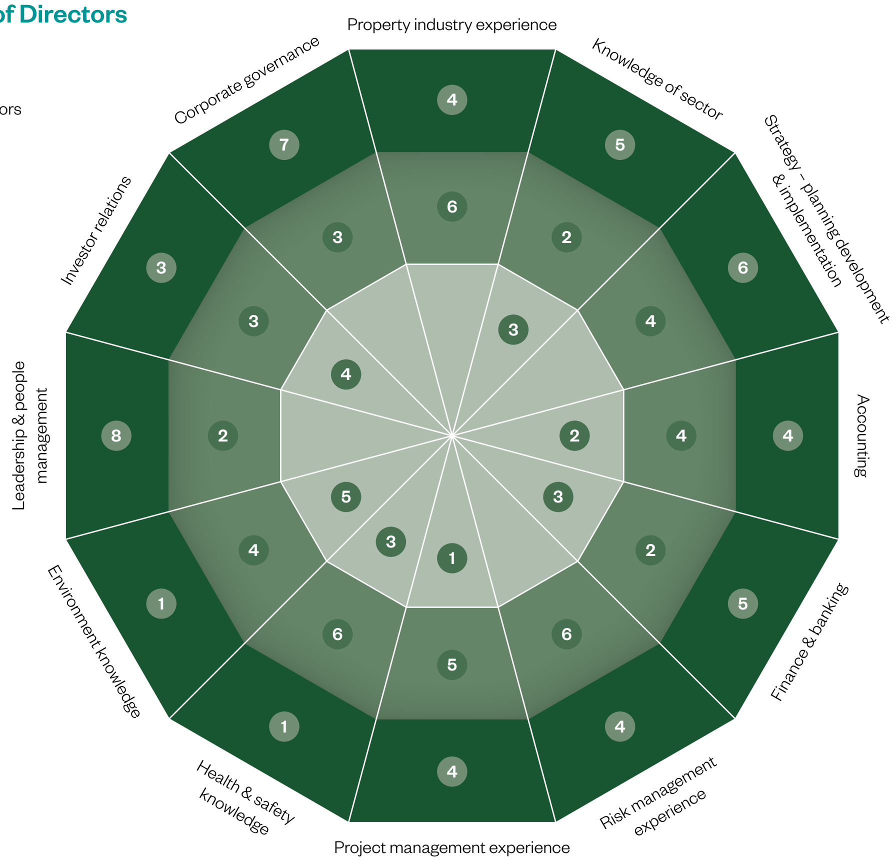
We oversee the Board's composition by an analysis of the Directors' skills and experience, and the strengths and experience of the Board are summarised below. The varied experience of the Non-Executive Directors is gained from a range of business environments. The Non-Executive Directors who hold an executive role in another organisation share current experience and knowledge. More recent appointees have brought additional skills including experience of HR, sustainability and climate change, which complement the Board. The analysis also included a review of the number of appointments held by Directors outside of this Group and the time commitment of these roles. We are mindful of the need to ensure that Directors do not overcommit to roles in addition to their position on the Board of this Company and are satisfied that external appointments held by Directors do not impact their ability to allocate sufficient time to discharge their responsibilities to the Company. Any changes to outside commitments are reported to the Board, following approval by the Chairman. Outside directorships of the Executive Directors are permitted (subject to Board approval) but they are required to devote substantially all their working time to their role at Urban&Civic.

We consider that the Board demonstrates a sufficiently wide range of background, skills and experience and that it provides strong and effective leadership to the Group.

Skills and experience of Directors

Highly experienced

X Indicates the number of Directors with each skillset



Appointment process

The Nomination and Governance Committee leads the process for the appointment of new Directors. Regular reviews of the Board and its committees enable the Committee to identify where a new appointment is needed and to recognise any gaps in skillset and diversity, which will assist the recruitment selection process. It has previously been decided by the Board not to impose a quota relating to gender balance at Board level, but I can confirm on behalf of the Committee that we endeavour to achieve a diverse working environment when considering the appointment of any new Directors. The Board believes that the overriding criteria for selection should be suitability for the role based on independence, skills, knowledge and experience and the ability to promote the success of the Company, in the context of promoting diversity on the Board.

The Committee oversees the selection process by the appointment of a recruitment consultant and preparation of a detailed role specification, the identification of suitable candidates, the initial interview process and eventual recommendation to the Board. Ultimate responsibility for the appointment of Directors and for committee membership remains with the Board. We ensure that any executive search consultant we engage has adopted an industry standard Voluntary Code of Conduct addressing gender and ethnic diversity.

On the appointment of a new Director, a formal letter of appointment or service agreement is issued and for Non-Executive Directors this will contain details of the terms of appointment, including the time commitment of the role. All new Directors are also asked on appointment to declare any interests which may constitute a conflict or a potential conflict of interest and details of these are included on the Company's register of conflicts.

All Directors are proposed for reappointment by shareholders at the first AGM following their appointment and annually thereafter.

Induction and training process

Following the appointment of a Director, an induction programme is organised by the Company Secretary, incorporating meetings with the Board, senior management and key advisers and visits to our Strategic Sites. Each new Director is provided with past Board papers and other induction materials. Learning and development sessions are also organised on a bespoke basis to reflect an individual's specific requirements. Both the Chairman and the new appointee agree the structure of the induction programme to ensure that it is designed to provide a sound understanding of the Group's long-term strategy, business operations and performance and to provide an adequate background for the Director to have an informed participation in Board discussions from an early stage.

Typical induction procedure for a new Director

- Visits to our key Strategic Sites
- One-to-one meetings with all Executive and Non-Executive Directors
- Meetings with senior management
- Meetings with key advisers
- Briefing on the Group's policies and procedures
- Guidance on the legal, regulatory and governance framework of the Group

We maintain ongoing training for Directors as part of their learning and development programme and Directors are encouraged to identify any areas in which they require information, briefings or training. Our Board and committee agendas allow for regular presentations at Board meetings by management and advisers with ad hoc briefings on technical, regulatory or governance matters being arranged where appropriate. Directors' attendance at external seminars, workshops and lectures is actively encouraged, as are visits to the Group offices and operational sites which allow Directors to witness first hand the operations and the progress reported on at each Board meeting.

Appointment of new Director during the year

The appointment process for Bill Holland commenced in November 2019 with the engagement of Russell Reynolds to carry out a search for a suitable candidate to be recruited to fulfil the role of independent Non-Executive Director and Chair of the Audit Committee. Russell Reynolds were mandated to identify a diverse selection of candidates with a wide range of backgrounds and experience. Russell Reynolds did not have any prior connection with the Company or its Directors other than in relation to the previous appointment of Directors.

A job specification was agreed by the Committee and, when a selection of potential candidates had been identified, the Chairman and Ian Barlow, Senior Independent Director and former chair of the Audit Committee, met with Russell Reynolds to discuss suitability and to agree a shortlist. Following an interview and selection process, Bill Holland was appointed to the Board and as Chair of the Audit Committee immediately following the AGM on 6 February 2020.

An induction programme was agreed and commenced immediately on his appointment with a detailed itinerary of meetings arranged with other Board members, members of the senior management team and key advisers, the Group's auditor, BDO, and valuers, CBRE. Bill was provided with comprehensive information to ensure he had a good understanding of recent developments of the Group and the key areas relating to the Group's accounting policies and judgements, financial reporting, risk management and internal controls. Visits to key sites led by senior management will also enable a good understanding of the Group's operations but Bill's appointment to the Board came just a few weeks before the lockdown conditions imposed across the country as a result of the COVID-19 pandemic which unfortunately delayed the programme of visits to the Group's Strategic Sites.

Our work during the year

Board

- Appointment of a new Non-Executive Director, Bill Holland, in February 2020.
- Oversaw changes to the chairmanship of the Audit Committee prior to the appointment of Bill Holland, as explained further in the report of the Audit Committee.
- Recommendation to the Board that Jon Di-Stefano be appointed as a member of the Remuneration Committee.
- Review of the size, structure and composition of the Board and its committees.
- Assessment of the independence, skills and experience of each of the Directors to ensure a diverse and well balanced Board.
- Review of the Directors proposed for re-election at the AGM and assessment of the contribution of each Director and the reasons why they are important to the Company's long-term sustainable success.

Succession planning

- Agreed proposals for the expansion of the operational committee structure to enhance the process for the development of senior management as a tool for succession planning.
- Six-monthly review of the mechanisms in place for the Group to retain and develop senior management, considering both financial and non-financial incentives.
- Review of a workforce planning update, setting out the proposed approach for the development of all employees in the Group.

Diversity and equal opportunities

- Review of the management structure and gender diversity across the Group.
- Review of the employee organogram which sets out reporting lines throughout the Group, enabling the Committee to ensure a diverse pipeline for succession.
- Review of the steps in place for equal opportunities monitoring across the Group to ensure the Group policy is achieving its objectives.

Governance

- Oversaw the process for the external performance evaluation of the Board and its committees and assessment of its own performance by monitoring compliance with the responsibilities set out in the terms of reference.
- Review of the length of tenure of each of the Directors and recommendation to the Board that Ian Barlow be invited to serve a second three-year term and that Alan Dickinson and June Barnes be invited to serve a third term of three years.
- Oversaw the Group's compliance with the Modern Slavery Act.
- Annual review of policies.

Succession planning and talent management

The Committee regularly reviews the succession plans in place for the Board and senior management and during the year expanded its focus to include the wider workforce. The Group's headcount has grown in recent years and is now of a size that provides employees the opportunity to progress their careers throughout the organisation. The Committee has discussed a workforce succession roadmap setting out a proposed approach for the development of a programme for the future direction and focus for all employees in the Group. The Committee will oversee the development of this programme over the coming year but, below Board level, succession planning is delegated to the senior management team.

The senior management function of the Group has evolved during the year and the creation of two new operational committees is intended to facilitate the development of senior management. The Senior Strategy Group has been created with the key role of providing a dedicated forum for the discussion of strategy and resourcing and to broaden the skills of its members as part of the succession planning process. The New Situations Committee was formed to consider pipeline projects, being those uncontracted or recently contracted, and this structure ensures that the development management team is involved at an early stage in each project and also enables progression through different stages of a project. This also enables the Committee to identify a leadership and talent pipeline. The broadening of the skills and experience throughout the Group and the subsequent development of management will ultimately assist the Committee in formulating a succession plan for the roles of Chief Executive and Managing Director.

The Committee reviews regular reports on the specific initiatives in place to retain and develop senior management. We discuss the processes in place relating to financial and non-financial incentives, career progression tools, learning and development opportunities, involvement across projects and the communication across the Group, both between management and Directors and across teams. The Chief Executive and the Managing Director play a vital role in these discussions.

Having reviewed the progression, talent management and succession plans in place for both Executive Directors and for senior management, we are satisfied that the current processes are appropriate.

We recognise the importance of employee engagement in encouraging staff retention and more information on this engagement, including the Employee Advisory Group, can be found in the corporate governance report. The open culture within the Group means that Non-Executive Directors are able to hold meetings with employees in the absence of management throughout the year and this interaction enables a useful insight into the issues affecting the workforce, which may ultimately impact employee retention. Social distancing restrictions this year have obviously impacted face to face meetings with employees and visits to our projects but we look forward to resuming this programme as soon as it is safe to do so.

The Group's ability to attract candidates for new roles and its turnover rate reflects the success of our employment and retention policies, indicating loyalty and satisfaction with both the working environment and remuneration arrangements. During the year, 21 new employees were appointed (2019: 15) and 13 resigned (2019: 7).

Equal opportunities and diversity

The Board remains committed to the principle of equal opportunity in employment and recognises the importance and value of inclusion and diversity of the Board and across the Group. The Group's diversity policy incorporates the personal responsibility of employees to comply with the policy and to strive towards our diversity objectives, seeking to embed this in the culture of the Group. During the year, we have strengthened our activities in the promotion and monitoring of diversity and equality of opportunity throughout the Group. The HR Manager monitors the effectiveness of the Group's equal opportunities policy to ensure that it is achieving its objectives and the Committee oversees this process.

On joining the Group, all employees are invited to complete an ethnicity and diversity questionnaire, enabling monitoring of the Group's gender make-up and age profiling. Gender and ethnic diversity of the Board, senior management and employees as at 30 September 2020 is summarised in the charts earlier in this report.

The Committee has reviewed the recruitment processes currently used by the Group to ensure that equal opportunities are applied to all and has noted that a variety of routes are followed. These include the use of headhunters, word of mouth, referrals by social networking and the advertisement of all positions internally. We actively engage with recruiters to ensure a diverse candidate selection and monitor compliance with our equal opportunities policy. In-house advertisement encourages internal promotions and also enables employees to notify their associates or contacts of any opportunities. A recruitment tracking system has been established to monitor the gender and ethnic diversity of candidates applying for roles and to assess and monitor the rationale for subsequent recruitment decisions. Guidance is issued to line managers responsible for recruitment to ensure that evaluation and decisions are based on non-discriminatory reasons. This process is overseen by the HR Manager and the recruitment policy provides a framework of consistency to ensure effective management of the recruitment process and that all candidates receive equality of treatment.

The appointment and subsequent development of employees will always be based foremost on merit and the ability to perform in the role but the Group also maintains a strict policy to promote gender, social and ethnic diversity and diversity for all minority groups. We seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. However the monitoring of candidates applying for roles at the Group occasionally highlights the challenges faced in addressing gender diversity at the recruitment stage and we acknowledge that diversity of recruitment will always be impacted by the diversity of candidates applying for roles. We are satisfied that all candidates are treated equally but have asked management to further review the Group's recruitment practices to drive greater diversity and the development of the Group recruitment policy is ongoing. The Board and senior management have undertaken to be an inclusive employer and to eliminate discrimination and we seek to ensure that there is no discrimination on the basis of age, gender, race, disability or social background. I will report on this process further in next year's report.

The HR and Learning and Development departments are working together to develop competency frameworks to support consistency in the promotion process which is based on the necessary capabilities, skills and experience for all roles. This also helps to demonstrate routes of progression, which is a useful tool for monitoring equality of treatment and for succession planning. Documentation and explanatory briefings have been provided to all employees to ensure that the remuneration policies and procedures are understood. This transparency helps to ensure that all employees are treated equally during the compensation process, which is overseen by the Remuneration Committee. The leaver process is also managed centrally to ensure a uniform approach to post-termination treatment. All departing employees are encouraged to participate in an exit interview which includes questions on access to learning and development, opportunities for progression and general views on the approach of management throughout the Group. The leaver process enables any trends to be identified and monitored where necessary.

The appointment of a Group HR Manager last year has facilitated a consistent Group-wide approach to the recruitment and development of employees, ensuring equality and fairness in all employment practices. We do not tolerate any form of discrimination, harassment, victimisation or bullying in our working environment and all our employees are expected to act in accordance with the Group's policies in this regard. The HR Manager reports annually to the Nomination and Governance Committee on the monitoring of the implementation of the Group's diversity and equal opportunities policies, both of which can be found on our website: www.urbanandcivic.com/governance/nomination-committee.

Performance and development

The Board undertakes annual performance evaluations and has committed to carry out an externally facilitated evaluation at least every three years. As reported last year, the Board appointed Belinda Hudson Limited, an independent consulting firm, to carry out an externally facilitated assessment in Q4 2019. Regular evaluations assist the Board in identifying areas for enhancement in overall performance and effectiveness, and support the Directors in their continuous improvement. Belinda Hudson, who carried out the review, has worked with the Board before leading the process for the first external evaluation of the Board carried out in 2017. Her previous involvement and ongoing relationship enabled her to identify the progress made since the previous review and to make recommendations which reflect the Board's history and development. Belinda Hudson has no other connection with the Group or its Directors.

Since the externally facilitated review in 2017 the diversity of the Board has expanded and its composition changed significantly, with the departure of three Non-Executive Directors, the appointment of four new Non-Executive Directors and changes to the chairs of the Audit Committee and the Remuneration Committee. As a result, the dynamics of the Board are ever changing with each newly appointed Director at a different stage on a learning curve. The review demonstrated the importance of the continuity of the Chair of the Board, having held the position since 2016, and the evaluation of his performance recognised his good judgement and strong leadership, providing a clear sense of direction for the Board and the Group.

The approach to the 2019 Board evaluation process was explained in last year's report. It provided a review of the composition and dynamics of the Board and its committees, the extent to which the Board and committees fulfil all aspects of their role and the quality of support provided to them by management. It also included a review of the accountability, information and communication between the Board and its committees and of the Chair's performance.

Board evaluation process

Actions identified	Progress made
Review the information needs of the Non-Executive Directors.	The Non-Executive Directors are encouraged to communicate openly with management on agenda topics and the content of the Board papers.
Consider the scheduling and timing of Board and committee meetings to ensure adequate time for discussion of key issues.	2020 and 2021 timetables were revised to address this point.
Schedule opportunities for the Non-Executive Directors to have discussion without the Executive Directors present.	Non-Executive Directors have held on-line meetings in the absence of the Executive Directors but due to social distancing restrictions this year, opportunities for face to face meetings have been limited.
Ensure that there is continued focus on developing the risk management framework and processes.	The Audit Committee and the Board discuss risk management and related processes at every meeting.
Develop further the leadership development and succession plans.	The Nomination and Governance Committee regularly reviews succession plans for Directors and senior management.
Ensure that the Group culture is articulated and that the Board devotes adequate time to its review.	Initial work has taken place on the monitoring of culture, building on our corporate values.
Ensure that the Board devotes adequate time to a review of sustainability issues.	The Board has approved a sustainability framework which has been adopted throughout the Group.

Timeline

October 2019
Research and fact finding
Analysis of Board and committee papers, governance documents and other information about the Group and its operations.

October/November 2019
Interviews
Interviews with all Directors and the Company Secretary.

November 2019
Board observation
Observation at meetings of the Board and the Nomination and Governance Committee.

February 2020
Reporting
Presentation of the report at a Board meeting, enabling a discussion of the suggestions for development.

2020
Follow-up
Discussion and implementation of suggested areas for development.

The overall conclusions of the report were that good progress had been made since the previous external evaluation and that the Board continues to work effectively and to engage positively with executive management. Progress included increasingly constructive challenge on the part of the Non-Executive Directors which should contribute to more robust decisions and an improvement in the quality and streamlining of the Board papers. The effectiveness of the committees had also been strengthened. The report highlighted a number of opportunities for further development. The Board discussed these and drew up a list of action points which are summarised above. We continue to progress the suggested action points but full implementation has been hampered by the restrictions in place on face to face meetings in light of the COVID-19 pandemic.

Governance

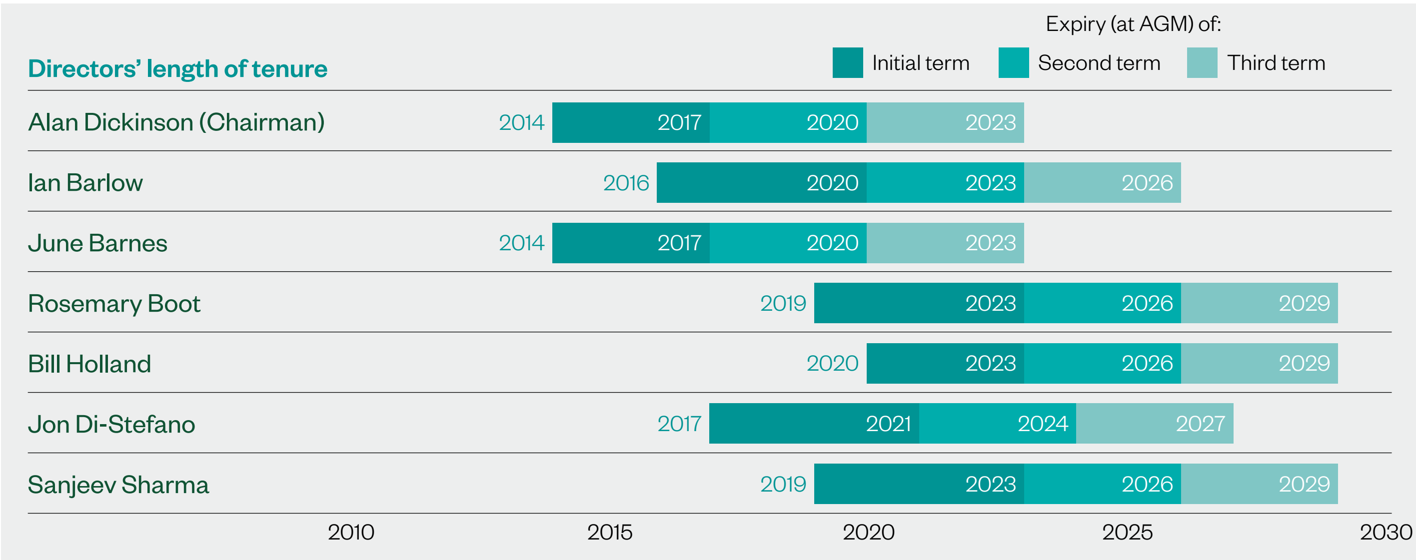
Non-Executive Directors' length of tenure

The Committee has considered the tenure of the current Directors and regularly reviews succession plans for the Board to ensure that the refreshment of the Board is properly planned and suitably managed. As part of ongoing succession planning discussions for Non-Executive Directors, the Committee gives due consideration to governance guidelines on length of service. Non-Executive Directors are appointed to the Board for a fixed initial term, from the appointment date to the conclusion of the first AGM taking place after the three-year anniversary of appointment. Non-Executive Directors will typically serve a second three-year term. A third term of up to three years may be served in certain circumstances but this would only be considered following a thorough review of the individual and of the Board composition.

During the year, the Committee recommended to the Board that Ian Barlow be invited to serve a second three-year term and that Alan Dickinson and June Barnes be invited to serve a third term of three years. Subsequent to the year end, on the recommendation of the Committee, the Board has invited Jon Di-Stefano to serve a second three-year term. All appointments are subject to annual re-election by shareholders. A summary of Non-Executive Directors' tenure is overleaf.

Governance continued

Non-Executive Directors' length of tenure continued



Policies

During the year, as part of its annual review of governance, the Committee carried out a review of the following Group policies and recommended their approval to the Board:

- diversity policy;
- equal opportunities policy;
- anti-corruption and bribery policy;
- gifts and hospitality policy;
- whistleblowing policy;
- share dealing policy; and
- charitable donations policy.

We intend to oversee a review of all Group policies later this year, undertaken by a third party, to ensure that these all reflect any updated legislation, guidelines and best practice. Any policy updates arising from this review will be presented to the Committee for consideration, prior to approval by the Board.

Terms of reference

The Committee reviewed and approved the following:

- Nomination and Governance Committee terms of reference;
- schedule of matters reserved for the Board;
- roles and responsibilities of the Chairman, Senior Independent Director and Executive Directors; and
- Executive Management Committee terms of reference.

Minor amendments to the Committee's terms of reference were approved. The Audit Committee and Remuneration Committee reviewed their own terms of reference during the year.

Modern Slavery Act compliance

We discussed a report setting out an overview of the Group's compliance with modern slavery regulations, following a review carried out by a third party. The paper identified any potential risk areas within the Group and its supply chain and set out key action points to enhance procedures. We recognise the importance of embedding modern slavery awareness and compliance throughout the Group and, to that end, all employees have been required to undertake appropriate training.

Annual General Meeting

The AGM will only be scheduled if the acquisition by the Wellcome Trust has not completed by March 2021. If held, all Directors will offer themselves for election or re-election at the AGM.

The Nomination and Governance Committee has assessed the skills, knowledge and experience of each of the Directors and has concluded that they continue to be effective and to demonstrate commitment to their role. The Board considers that each individual Director provides valuable input to the operation of the Board and that their contribution is important to the Company's long-term sustainable success, bringing a diverse range of skills from different sectors and experience, as summarised earlier in this report. Further biographical information on all Directors can be found on pages 66 and 67 and, in accordance with the UK Corporate Governance Code, the notice of AGM, if held, will set out the contributions and reasons for re-election and reappointment of each Director.

We can confirm to shareholders that the Directors have the necessary attributes and time to continue to discharge their duties effectively.

The year ahead

We will continue to give full consideration to the structure of the Group's succession plans, including those at Board level, for senior management and throughout the workforce and we will seek to progress our programme of continued refreshment of the Board. The Committee is responsible for the monitoring of compliance with the Group's equal opportunities and diversity policies and we will continue to encourage diversity by overseeing recruitment and employment practices designed to further enhance diversity within the Group. We will also oversee and monitor the ongoing implementation of the recommendations arising from the 2019 Board performance evaluation process.

Alan Dickinson
Chair of the Nomination and Governance Committee
4 December 2020

Committee members

Bill Holland (Chair)

Ian Barlow

June Barnes

Rosemary Boot

Key activities in 2019/20

- Appointment of new Chair
- Reporting to the Board on risk management, in particular for new and emerging risks associated with the COVID-19 pandemic
- Financial reporting
- Ongoing monitoring and review of the internal audit programme
- Review of management assurances relating to risk management and internal controls
- Review of long-term viability and going concern statements

Key focus areas for 2020/21

- Continued oversight of financial management and reporting
- Oversight of changes and developments to reporting requirements
- Ongoing review of, and reporting to the Board on, risk identification, management and mitigation
- Continued oversight of the internal audit programme to ensure internal controls operate effectively
- Strengthening of the process supporting management assurances relating to risk management and internal controls

"The Committee oversees the financial reporting process to enable stakeholders to have confidence in the accuracy and integrity of our financial results, in the robustness of our risk and internal controls management and in the effectiveness of the audit process.

Bill Holland
Chair of the Audit Committee

Audit Committee report

Introduction

I am pleased to present my first report as Chair of the Audit Committee for the financial year ended 30 September 2020. This report explains the structure, operation and focus of the Committee and provides a summary of its activities during the year and up to the date of this report. The key responsibilities of the Committee are unchanged from previous years and are set out below. The Committee provides independent oversight of management to ensure appropriate protection of stakeholders' interests and to assist the Board in discharging its responsibilities.

Key responsibilities of the Audit Committee

Interim and year-end financial reporting

Monitor the quality and integrity of the financial statements and oversee the financial reporting process.

Review of significant financial judgements and accounting policies.

Review the long-term viability and going concern status of the Group.

Risk management

Monitor the framework and processes for identifying, assessing, managing and mitigating risk.

Internal controls and internal audit

Oversee and monitor the effectiveness of the internal control processes of the Group and the work of the internal auditor.

External audit

Review the performance, independence and effectiveness of the external auditor and oversee the audit process.

Governance and compliance

Ensure Group compliance with governance requirements relating to the management of risk, financial reporting and accounting.

Monitor compliance with accounting and regulatory requirements and with relevant Group policies.

The Committee's responsibilities are detailed in its terms of reference which it reviews annually, updating as required to reflect any developments in regulatory requirements, governance or best practice.

Terms of reference: www.urbanandcivic.com/governance/audit-committee

Key considerations during the year

During the year under review the Committee paid particular attention to risk management in light of the COVID-19 pandemic with increased scrutiny on the risk management process, the going concern and viability of the Group and the robustness of mitigations in place. This is set out in more detail in the risk review on pages 38 to 47. The Committee has overseen all financial reporting, including the financial impact and business disruption of COVID-19, and has continued its review and monitoring of the internal audit programme. Our workstreams and processes relating to the internal and external auditors are set out later in this report. The Committee also oversaw the introduction of IFRS 16 'Lease Accounting' which was adopted for the financial year ended 30 September 2020, the impact of which is explained in note 1 to the financial statements. The Committee received technical briefings during the year on other financial and narrative reporting developments.

Financial reporting and significant judgements

The following significant areas of judgement were considered by the Committee and discussed and assessed with the external auditor:

Valuation of investment properties and carrying value of trading properties

The Group's property interests are valued in order to ascertain the fair value of investment properties and the carrying value of trading properties, which are held at the lower of cost and net realisable value. Valuations of all properties inform the calculation of EPRA NAV and EPRA NNNAV and at 30 September 2020 the total EPRA value of the Group's property interest was £691.8 million, comprising investment properties, trading properties, properties within property, plant and equipment, property related trade and other receivables and payables and the Group's share of properties and related receivables held under both joint ventures and joint operations. CBRE, independent valuers, valued 92 per cent of the Group's property interests and the Directors valued the remainder.

Significant judgement is required due to the subjective nature of property valuations. Members of the Committee met with the external valuers, without management present, as part of both the half-year and full-year valuations. Each property valuation was discussed individually with consideration given to the key judgements and assumptions applied to each valuation as well as the valuation movement generated in each period. A discounted cash flow model is used by CBRE to value the strategic land assets, reflecting the scale of the assets and length of time over which the assets will be realised. The Committee considered the key inputs to the models, namely the timing and quantum of significant cash outflows, land prices, forecast house prices, inflation, housebuilder profit assumptions and discount rates, and concluded that the assumptions applied were appropriate.

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

Revenue and profit recognition

Licence sales contain both a fixed minimum price as well as a variable overage element with revenue recognised when the risks and rewards of ownership transfer on completion. The sales receipts are ultimately dependent upon the onward sales prices achieved by the housebuilder. Variable consideration including overages are estimated, taking into consideration the time to recover overage amounts as well as factors which may give rise to variability, and are recognised to the extent that it is highly probable that there will not be a significant reversal in the future.

Members of the Committee assessed the conditions attaching to these arrangements when deciding how much and at what point revenue should be recognised and the requirements of IFRS 15, taking into account contractual terms, forecast timescales over which amounts were payable and the ability to reliably measure variable consideration. The Committee also considered the methodology and allocation of directly attributable servicing costs of each land parcel prior to sale which includes an allocation of site-wide infrastructure costs.

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

Going concern and long-term viability statements

The Committee has reviewed the assumptions upon which the going concern principle has been adopted for the preparation of the financial statements for the year ended 30 September 2020 and, having assessed the prospects and financial viability of the Group, has approved the long-term viability statement set out on page 35. In doing so, the Committee has assessed the risks and uncertainties arising from the COVID-19 pandemic, the impact of which is referenced throughout this Annual Report. In light of this disruption, and potential disruption caused by Brexit, a more detailed review of assumptions and potential variabilities attaching to the Group's cash flows (over the 12 months from the date of this report) has been undertaken, in conjunction with the usual longer term assessment of viability. The Committee will continue to scrutinise and monitor the Group's business planning and risk management processes in conjunction with its oversight of the integrity of financial reporting.

Long-term viability statement **see page 35**

Going concern note **see pages 132 to 133**

Company position and prospects

We are satisfied that, taken as a whole, the financial statements are fair, balanced and understandable and that they represent a true and fair view of the financial state of the Group and enable an accurate assessment of the Company's position, performance, business model, strategy and prospects. We have reached this conclusion having maintained involvement and oversight from an early stage in the financial statements' preparation and the audit process and having considered reports from both management and the external auditor providing assurance to the Committee of the integrity of the narrative and financial statements and any related disclosures. We are supported in this assessment by the approval process of the Board as a whole. We have endeavoured to provide a clear and understandable structure to the report.

Membership and operation of the Committee

Membership

During the year, there were no changes to the membership of the Committee other than in relation to the position of Chair and Jon Di-Stefano stepping down from the Committee. I was appointed to the Board and as Chair of the Audit Committee in February 2020, succeeding Ian Barlow, who has remained as a member of the Committee. Ian chaired the Committee from August 2016 to February 2019 and resumed chairmanship briefly, pending my appointment, from November 2019 to February 2020. Between February 2019 and November 2019, the Committee was chaired by Jon Di-Stefano. Jon stepped down as chair and member of the Audit Committee in November 2019, following the acquisition of Telford Homes (of which he is chief executive) by Trammell Crow Company, a wholly owned subsidiary of CBRE Group Inc. (CBRE). CBRE is a large global organisation with various business divisions and Trammell Crow Company is a separate entity from CBRE Limited, which acts as the Company's valuers. As explained in last year's Annual Report, the Board was (and remains) satisfied that, notwithstanding this business relationship, Jon's role as chief executive of Telford Homes does not currently conflict with CBRE's role as the Company's valuers and that it therefore considers Jon to be independent. However, to avoid the possibility of any potential or actual conflict of interest in matters relating to the valuation of the Company's assets, Jon stepped down as chair and member of the Audit Committee during the year under review.

All members of the Committee are independent Non-Executive Directors and the Board is satisfied that they have a wide range of skills and experience, and that the Committee as a whole has competence relevant to the sector in which the Group operates. The background and experience of Committee members includes financial reporting, risk management, internal controls and strategic management and further details of all Directors are set out on pages 66 and 67.

Members of the Committee attend all meetings, and attendance by the members of the Committee at the five scheduled meetings held during the year ended 30 September 2020 is shown below.

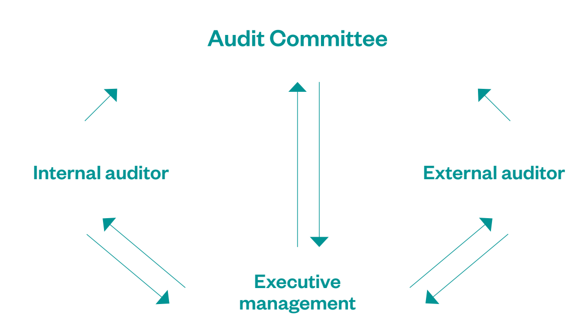
		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2020	Meetings attended/ eligible to attend
Bill Holland	Chair	Yes	6 February 2020	7 months	**4/4**[1]
Ian Barlow	Member	Yes	1 September 2016	4 years 1 month	**5/5**
June Barnes	Member	Yes	22 May 2014	6 years 4 months	**5/5**
Rosemary Boot	Member	Yes	23 May 2019	1 year 4 months	**5/5**

1. Bill Holland was appointed as a Director on 6 February 2020 and was ineligible to attend one meeting which took place prior to his appointment.

Operation of the Committee

- The Chief Executive, Finance Director and Company Secretary attend all meetings and the Chair of the Company is also invited to attend all meetings. Other Directors, senior members of the finance team, the internal auditor and the external auditor attend by invitation only. This enables a comprehensive discussion of all agenda items with the experience, engagement and contribution of all participants welcomed.
- The Company Secretary maintains a structured programme of agenda items including both regular and one-off discussion items. This is regularly reviewed by the Finance Director and the Chair of the Committee and is closely aligned to our financial reporting timetable. This process ensures that the Committee gives adequate time to the review and discussion of all items of its responsibility and authority, governed by its terms of reference. Standing agenda items will always include financial reporting, risk management, internal controls and external audit.

Key information flows



- At each Board meeting following any Committee meetings, the Board receives a verbal report summarising the discussions and conclusions of the Committee. Should any areas require discussion by the full Board, adequate background information is provided to ensure a meaningful discussion.
- The open culture of the Group means that members of the Committee have the opportunity to spend time with senior management outside of the scheduled Committee meetings and can therefore seek additional information and guidance on any issues as required. These meetings are extremely helpful to the Committee in ensuring that the members have a strong understanding of Group processes and in providing ongoing development and enhancement of the Committee members' skills and knowledge.
- The Committee meets privately with the internal auditor at least once a year and the external auditor at least twice a year, allowing for open discussion of any items if required in the absence of executive management. This also enables the highlighting of issues of key importance and the identification of emerging areas requiring debate.

Committee performance evaluation

The Committee annually assesses its own performance against the role and responsibilities set out in its terms of reference. Further assessment of the role and effectiveness of the Audit Committee was considered as part of the 2019/20 Board evaluation process as explained in the report of the Nomination and Governance Committee. The overall conclusion was that the Committee continues to support the Board, is working well and continues to operate effectively and in accordance with the UK Corporate Governance Code and relevant guidance.

Our work during the year

Interim and year-end financial reporting

- Oversaw the audit process and reporting for the interim and year-end results.
- Review and approval of the external auditor's letters of engagement and audit and non-audit fees incurred by the external auditor.
- Review of the audit planning report prepared by the external auditor, confirming materiality thresholds and agreeing the key audit matters for consideration by the auditor as part of the audit.
- Review of the external valuers' (CBRE) valuation report and Directors' valuation report.
- Review of the application of the revenue and profit recognition policy and the adoption of IFRS 16 'Lease Accounting'.
- Discussion and assessment with the external auditor on significant areas of judgement, including issues relating to IFRS 15 and IFRS 9, and accounting for new loans.
- Review and recommendation to the Board of the going concern and long-term viability statements and supporting documents including the business plan and five-year forecast.

Risk management

- Reporting to the Board on our assessment and review of the Group's risk management framework and review of the effectiveness of the risk management process.
- Review of key risks, significant movements since the start of the financial year and the mitigation measures in place and the impact of this mitigation on the risk profile. During the year, this included specific review of new and emerging risks related to the COVID-19 pandemic and the impact on the Group's business.
- Review of the risk reviews for inclusion in the interim and year-end reporting.

Further details on the Group's key risks and our approach to risk management are found in the risk review on pages 38 to 47.

Internal controls and internal audit

- Annual review of the effectiveness of the internal audit function.
- Agreed the scope for proposed audits to take place in 2019/20 and the programme of audits for 2020/21.
- Reviewed updates on the progress of the ongoing audit programme and reviewed the findings of completed audits, including recommended action points and progress against the implementation of these action points.
- Worked with management on an appropriate form of reporting from the Executive Directors to the Board giving assurance over the effectiveness of those internal controls that were not the subject of an internal audit in the year.
- Review of those assurances by executive management that the Group's internal controls and risk management processes are working effectively.

The Group's internal audit arrangements and activities during the year are explained in more detail later in this report.

External audit

- Review of the requirements for tender of the audit and the rotation of the audit partner and senior audit managers.
- Annual review of the independence and objectivity of the external auditor.
- Review of the effectiveness of the auditor and the audit process and recommendation for the reappointment of the auditor.
- Approval of the Group's policy for the provision of non-audit services, updated to reflect new ethical standards.

The Committee's relationship with the external auditor and activities during the year are explained in more detail later in this report.

Governance and compliance

- Review of the membership of the Committee prior to the appointment of Bill Holland as Chair of the Committee in February 2020.
- Approval of the protocol for the recruitment of staff from the auditor or valuers.
- Annual assessment by the Committee of its performance.
- Annual approval of terms of reference, approving minor changes.
- Review of Board reports on the Group's compliance with GDPR regulations.
- Oversight of compliance with the Group's gifts and hospitality policy and charitable donations policy.

Training and development

The Committee received briefing updates on financial reporting, covering the following areas:

- Overview of the CBRE valuation process.
- Developments in narrative reporting.
- Assessment of the impact of new accounting standards and the adoption of IFRS 16 'Lease accounting', which was applied for the first time during the year.
- Review of new EPRA reporting requirements and assessment of the implications of adoption of the new measures.
- Review of financial reporting developments, presented by the auditor, including the Section 172 statement and disclosures, emissions and energy consumption disclosures, IFRS 16 'Lease accounting', IFRIC 23 'Uncertainty over Income Tax Treatments', new standards or amendments applicable to future periods, new ethical standards for auditors and guidance related to COVID-19 disclosures.
- Overview of Group tax matters, presented by the Group's tax manager. This covered an overview of the Group tax environment, tax provisioning and corporation tax compliance for the half-year and full-year reporting periods, new tax legislation and requirements and tax risk management.

Risk management and internal controls and internal audit

The Audit Committee reviews and evaluates the adequacy and effectiveness of the Group's risk management and internal control framework, reporting its findings to the Board, which retains overall responsibility for risk management. The upward reporting lines of the Group's operational committee structure ensure that this process is effective in the identification and management of risk and in the management of the internal controls environment. The committee structure also helps to embed the culture of risk awareness throughout the Group.

Risk management

The Audit Committee plays a key role in assessing the management of risks, including emerging risks, which may affect the achievement of the Group's strategic objectives and reporting its findings to the Board. The Committee works closely with management to ensure that appropriate systems and processes are in place. We review risk management at every Audit Committee meeting and report to the Board on these matters. Management, in conjunction with the operational committees, ensures that both emerging and principal risks facing the Group are identified and assessed, with mitigating actions taken where appropriate. The Group's Executive Management Committee carries out regular reviews of the risk register and this assessment of risk, covering the business model, Group operations, future performance, financing considerations and people related risk, is then factored into the reporting to the Audit Committee and the Board. We are satisfied that an effective risk management system is in place across the Group. Further details are in the risk review on pages 38 to 47.

Internal controls and internal audit

The Group's internal audit function has been outsourced to Grant Thornton and their role has been defined as being to review the governance, risk management and internal controls framework in place across the Group and to provide assurance to the Board on the adequacy and effectiveness of the Company's risk management and internal control systems. The Committee is responsible for monitoring the workstream of the internal auditor and for agreeing the rolling three-year programme of internal audits. Grant Thornton report to the Committee at every meeting, allowing an in-depth discussion of the progress made on audits and of any issues arising from the reports and a review of the ongoing programme of internal audit work. The programme covers all key business functions including financial, strategic, people and operational areas. Grant Thornton discusses with management the implementation of recommendations and seek an explanation if a specific recommendation has not been actioned, also assessing and evaluating any other mitigations that may have been put in place. A schedule is then prepared for the Committee setting out the recommended action points together with the progress against their implementation. In reporting on previous audits, Grant Thornton has confirmed that all recommendations and actions have either been completed or are noted as being in progress.

Internal control reports include:

- the scope for proposed audits and alignment to key risk areas;
- updates on the progress of current audits;
- discussion of the findings of completed audits; and
- management's response to, and implementation of, any recommended action points.

During the year Grant Thornton, with the input of management, also presented an assurance map to the Committee which provided a high level overview of the audit programme and demonstrated assurance that all key processes had, or would be, reviewed and considered by the end of the next three-year cycle. This schedule also set out the alignment of key risks to the programme of internal audit plans.

Earlier this year, given COVID-19 related restrictions in place, Grant Thornton explained to the Committee that the planning process for 2020 audits had incorporated a larger amount of remote work than would usually be the case. The Committee discussed the audit scopes with this in mind and agreed with Grant Thornton that the revised operating plan would work effectively and efficiently and provide adequate assurance to the Committee of procedures and processes covered by the audit.

The Committee meets annually with the internal auditor in the absence of management and also annually assesses the effectiveness of the internal audit function. This assessment informs discussions when considering whether the Company would benefit from the establishment of an internal (rather than outsourced) function. The Committee has carried out this review and has concluded that, due to the size of the Group and its structure, the current outsourced arrangement is appropriate and cost efficient for the Company and provides a comprehensive and useful function. We consider that the output from the reviews is sufficiently detailed and focused to be of benefit to management and to enable the Board to efficiently monitor the internal controls in place across the Group. The Committee has therefore recommended to the Board that this outsourced arrangement should remain in place.

Risk management and internal controls and internal audit continued

Internal controls and internal audit continued

During the year, Grant Thornton performed four audits:

	Key risk area
Property and estate management	Strategy, Financial
The Catesby Estates business unit	Financial
Risk management	All
Human resources and succession planning	Market, Strategic

The internal audit programme is now entering its second three-year cycle and, having assessed the scope and benefits of the audits that have taken place in the previous three years, we have discussed areas which should be covered by the next programme of audits. The proposed 2020/21 audits will cover:

	Key risk area
Cyber security	Information Security, Legal and Regulatory
Payroll	People, Financial
GDPR	Information Security, Legal and Regulatory
Tax compliance	Financial, Legal and Regulatory

Having assessed the internal controls environment across the Group, we are satisfied that the internal controls in place are fit for purpose and operated effectively during the financial year and up to the date of this report. No significant weaknesses or failures in the operations and processes of the Group were identified during the year and we are satisfied that the Executive Directors and senior management take appropriate action as may be identified by internal audit reports and/or Board discussions. The Committee discussed with management during the year how to enhance the management assurance process in order to provide the Board with appropriate supporting information on the assurance process for the year ended 30 September 2020. This year, the Executive Directors have provided an assurance report for the Board that the Group's risk management and internal controls processes are working effectively having:

- reviewed and considered the adequacy of the risk management framework;
- reviewed and considered the Group's '3 lines of defence assurance map' which outlines the key controls and processes attaching to the key risks as well as the Executive Directors' evaluation of these key controls and processes; and
- reviewed and considered the internal audit recommendations and status of implementation of those recommendations.

External auditor

Audit effectiveness and quality

The Committee has primary responsibility for the supervision of the relationship with the external auditor, BDO LLP, including overseeing their qualification, independence, expertise, performance and effectiveness, and the terms of its engagement and remuneration. The Committee is also responsible for ensuring the quality and efficiency of the external audit enabling the Committee to formally evaluate the effectiveness and quality of BDO's output, which it does annually. Elements considered by the Committee in assessing the auditor's effectiveness include the fulfilment of the audit plan, the quality of BDO's assessment of key accounting and audit judgements, the relationship and interaction with the Committee and with management and the quality of the reporting to the Committee. Annually, the Committee members and key members of the finance team complete an effectiveness questionnaire which seeks assessment of the above. BDO also provides annual confirmations on its independence and objectivity and its compliance with statutory, regulatory and ethical standards. In carrying out its annual assessment of independence, the Committee took into account the FRC Ethical Standard, which took effect in March 2020.

During the year the Financial Reporting Council's Audit Quality Review team reviewed BDO's audit for the Company's financial year to 30 September 2018. The Committee reviewed the correspondence from the FRC, which noted that there were no significant findings arising from the review.

After reviewing the external auditor's performance during the year, the Committee has concluded that it is satisfied with the effectiveness of the audit and the audit process and that BDO remains effective in its role as external auditor, and has recommended to the Board that it be reappointed for a further year. A resolution to this effect and a resolution to authorise the Directors to set the remuneration of the auditor will be proposed at the 2021 AGM, if held. I hope that shareholders will support the Committee and vote in favour of these resolutions.

Audit and non-audit fees

During the year the Committee approved the audit and non-audit fees paid to BDO. The non-audit fees related to the interim review. Details of the total Group auditor fees paid to the external auditor are set out below and in note 3 to the accounts.

Year to 30 September	2020 £'000	2019 £'000	2018 £'000
Audit fees	344	311	262
Review of interim results	44	43	37
Non-audit fees	—	79[1]	42[1]
Total	388	433	341
Non-audit fees (including interim review) as a percentage of total fees	11%	28%	23%

1. Fees incurred for reporting accountant services in relation to the Company's premium listing application.

We confirm that the fees were incurred in accordance with our policy for the provision of non-audit services. This policy, which was updated during the year, ensures that the independence and objectivity of the auditor are maintained. The policy sets out the types of non-audit services that are strictly prohibited and those that may be acceptable. For those non-audit services that may be acceptable, the effect of such non-audit services on the financial statements as well as the independence and objectivity of the external auditor will always be assessed by the Committee prior to being approved. The policy also sets out a clear process for the engagement of the external auditor for non-audit services in accordance with established approval requirements. Certain permitted non-audit services, as set out in the policy, can be approved by the chair of the Audit Committee up to a fee limit of £50,000. Thereafter, and for all other permitted non-audit services, Audit Committee approval is required. The policy is in line with the recommendations set out in the EU Audit Regulation and Directive (2016) and the Financial Reporting Council's Revised Ethical Standard 2019.

Policy for the provision of non-audit services:
www.urbanandcivic.com/governance/audit-committee

Auditor rotation

The Committee considers annually the reappointment of the external auditor including the rotation of the lead audit partner and key members of the audit team. As explained in previous Annual Reports, BDO was previously auditor to the Terrace Hill Group prior to the reverse takeover by Urban&Civic in 2014 and has been the auditor to Urban&Civic since its Listing in May 2014. Although BDO has now completed 20 years as auditor, the Committee has previously reviewed the requirements under EU Mandatory Firm Rotation Regulations relating to the tender of the audit and its interpretation was that the date of appointment of BDO is deemed to be May 2014 as it was on that date that Terrace Hill, renamed Urban&Civic, become a Public Interest Entity. The period of total uninterrupted engagement of BDO LLP under these regulations is therefore seven years from the financial year ended 30 September 2014 to 30 September 2020 (inclusive) with retendering required after ten years and rotation after 20 years. The Committee has discussed the timetable for proposing an audit tender, taking into account the above and also the guidance published by the FRC permitting companies to postpone audit tenders as a result of the COVID-19 pandemic, even when mandatory rotation is due. A competitive tender is required no later than in respect of the audit for the year ending 30 September 2024 and the Committee will ensure that a competitive tender process takes place within this timescale.

As at the completion of the audit for the year ended 30 September 2020 Ed Goodworth had held the role of the Group's lead audit partner for five years. Audit engagement partners are required to rotate every five years and a rotation is therefore required in advance of the year ending 30 September 2021. Accordingly, in line with regulations and best practice, Ed has stepped down from the role of lead audit partner following completion of this year's audit and Richard Levy has been appointed in his place. The process for the replacement of the audit partner commenced early in the year with management and the Audit Committee reviewing potential candidates. Richard's appointment was approved by the Committee in April 2020 and he has been fully briefed by Ed Goodworth throughout the 2020 year-end audit to ensure a smooth transition.

The Committee also reviewed the number of years worked with the Company by other senior members of the BDO audit team noting the date on which rotation would be required. The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

Future accounting changes

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

2020/21 priorities

The Committee's key focus will continue to be to oversee the Group's financial statements and the integrity of the reporting processes and to pay particular scrutiny to the going concern and long-term viability prospects of the Group, prior to consideration by the Board. We will continue our ongoing assessment of risk, reviewing the identification, management and mitigation of risk within the Group. We will also continue to oversee the internal controls programme and will oversee the next phase of the review, which will cover cyber security, the payroll function, GDPR compliance and tax compliance. We will strengthen and formalise the processes supporting the management assurances related to the adequacy and effectiveness of the Group's financial and non-financial internal controls and risk management systems. I will report further on these activities in next year's Audit Committee report.

WEJ Holland

Bill Holland
Chair of the Audit Committee
4 December 2020

Committee members

June Barnes (Chair)
Ian Barlow
Rosemary Boot
Jon Di-Stefano
Sanjeev Sharma

Key activities in 2019/20

- Jon Di-Stefano appointed to the Committee
- Reviewed and revised the Directors' remuneration policy, which will be proposed for approval at the 2021 AGM, if scheduled
- Set the Chair's fee and the remuneration for Executive Directors and senior management
- Reviewed the workforce remuneration arrangements
- Engagement with employees on the remuneration policies in place for Executive Directors and senior management
- Oversaw actions relating to the adoption of the 2018 UK Corporate Governance Code
- Reviewed the continuing evolution of governance standards and best practice

Key focus areas for 2020/21

- Oversee the adoption of the Directors' remuneration policy, following approval by shareholders at the 2021 AGM, if scheduled
- Undertake a review of workforce remuneration and its alignment with market practice and with the Directors' remuneration policy
- Set the remuneration for Executive Directors and senior management and oversee the remuneration of the workforce in line with the external review
- Continued engagement with employees on Group remuneration policies

Directors' remuneration report

"We are committed to the retention and development of our workforce and we seek to attract, retain and reward top talent, with remuneration policies and practices across the Group aligned with the Directors' policy and with market practice.

June Barnes
Chair of the Remuneration Committee

Introduction

I am pleased to introduce the Directors' remuneration report for the financial year ended 30 September 2020 which is divided into the following sections:

Remuneration at a glance

A summary of key statistics relating to the Company's performance and remuneration across the Group.

page 99

Introduction by the Chair of the Remuneration Committee

The introduction contains details of the Committee's membership, operation and key activities during the year. It also contains a summary of expected activities for the year ahead.

page 100

Directors' remuneration policy

The current Directors' remuneration policy was approved by shareholders at the 2018 AGM and a proposed new policy will be submitted for approval at the 2021 AGM, which will be called by the Company before the end of March 2021 if the acquisition of the Company by the Wellcome Trust has not completed by then. The key differences between this policy and the policy approved at the 2018 AGM are set out in this section of the report. The policy is subject to a binding vote at the 2021 AGM, if scheduled.

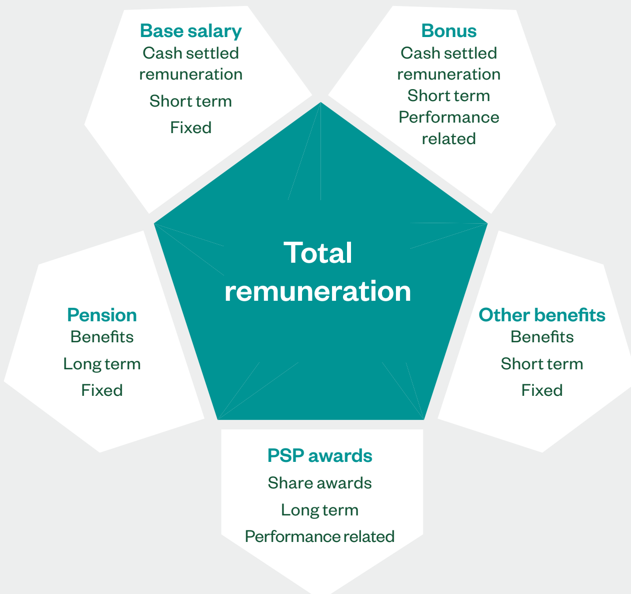
page 105

Annual report on remuneration

This sets out the operation of the policy during the year under review and how the policy will be implemented in 2020/21. This part of the report is subject to an advisory vote at the 2021 AGM, if scheduled.

page 110

Remuneration at a glance



Group performance in 2020

EPRA NAV

£499.1m -5.4%

TSR

-34.1%

EPRA NAV per share

343.2p -4.7%

Dividends per share paid during the year

2.5p -30.6%

Cash flow generation from plot completions

£41.6m +21.3%

Remuneration across the Group

Total spend on pay

£11.9m -19.8%

18%

of employees received an annual increase in total remuneration (2019: 94 per cent)

1. 1 October 2019 to 1 October 2020.
2. Employees other than Executive Directors.

Average salary increase for Executive Directors[1]

0% (2019: 2.5%)

17%

of employees received a bonus in respect of the year ended 30 September 2020 (2019: 97 per cent)

Average salary increase for employees[1,2]

0% (2019: 2.5%)

89%

of employees were granted PSP awards during the year ended 30 September 2020 (2019: 79 per cent)

Chief Executive remuneration

Salary[1]

£0.4m

1. As at 1 October 2020.

Annual bonus

£nil

Total remuneration

£0.6m -61.4%

INTRODUCTION

The primary role of the Remuneration Committee is unchanged from previous years and is to determine and recommend a fair and incentivising reward structure, aligning executive remuneration and objectives with the Company's performance and strategic direction. We seek to ensure that the pay and incentives for Executive Directors are designed to support the attainment of performance objectives, both corporate and personal, and to drive the delivery of returns to our stakeholders. We believe that the remuneration structure reflects the relatively long-dated business model of Urban&Civic.

The Remuneration Committee reviews all elements of Group remuneration, including base salaries, pension, bonus, Performance Share Plan (PSP) awards and other benefits. This provides a comparison of total remuneration rather than focusing on individual elements and reflects the importance we place on ensuring consistency of approach across the workforce. We determine the level and structure of remuneration for Executive Directors and set the remuneration of the Chair, the Company Secretary and senior management, which has been defined as members of the Executive Management Committee and other selected senior employees. We oversee workforce remuneration and the operation of related policies and benefits. We endeavour to ensure appropriate incentive structures to attract, motivate and retain our valued workforce. The Remuneration Committee is responsible for ensuring the alignment of the remuneration structure of the Executive Directors with the policies for the wider workforce and this alignment is evidenced by the eligibility of all employees to participate in the Group's long-term incentive plan, annual bonus awards and benefits such as private medical insurance and life assurance.

The performance of Executive Directors against agreed objectives is assessed by the Committee when considering their remuneration. The performance objectives of the Executive Directors are approved by the Committee at the start of the financial year and we believe that this process provides clarity on the link between individual awards and the performance of the Company.

Objectives for senior management are identified by the Executive Directors who report to the Committee with an assessment of performance against these objectives. We therefore have a clear overview on the performance of senior management, prior to the approval of related remuneration awards. All other employees have clearly defined objectives and maximum bonus opportunities and we maintain oversight of all awards to ensure that the workforce remuneration is in compliance with Group policies and is consistent with the approach taken for Executive Directors and senior management. The Board as a whole reviews the business plans and budgets of projects, which reflect business unit objectives. These business unit objectives form part of the performance targets relating to the payment of bonuses across the workforce, together with the attainment of corporate objectives, aligned with those of the Executive Directors. The approach is therefore in line with the assessment of performance of the Executive Directors.

The Committee works with the Group's HR Manager and, where appropriate, with external consultants to ensure that remuneration levels for all employees are in line with market expectations for their job role, level and experience. We assess the Group structure and related job families to ensure a consistent approach and the HR Manager provides briefings on implementation across the Group.

We believe that our approach to remuneration is clear and appropriate and that its operation is easy to understand, both internally and externally.

During the year

Our key workstream during the year has been the review of the Directors' remuneration policy, in conjunction with our ongoing consideration of the provisions of the 2018 UK Corporate Governance Code ('2018 Code'). As reported last year, the Company sought early adoption of the 2018 Code and as part of that process identified actions to be taken by the Remuneration Committee to ensure full compliance. The proposed amendments to the Directors' remuneration policy, as set out below, focus on the areas where we now seek compliance. We continue to monitor and consider best practice and market trends in relation to these requirements and also take into account feedback from our major shareholders. Our review of Directors' and workforce remuneration policies included an assessment of whether the mechanisms in place continue to provide the most appropriate means of incentivisation.

Impact of COVID-19 on key decisions

As a result of the impact of the COVID-19 pandemic on our business, the Remuneration Committee agreed that no salary increases or bonus awards should be made to Executive Directors or, with the exception of salary increases to recognise a promotion or a change of responsibilities or to fulfil contractual obligations to make a bonus award, across the workforce.

We had anticipated carrying out a review of workforce remuneration during the year, led by an independent third party, to ensure that the level and structure are in line with market practice and to make any adjustments across the Group as required. In light of the current economic climate we have decided to defer this review until 2021 and I will report further in next year's report.

The Company furloughed 12 employees, c.12.5 per cent of the workforce, during the year, under the Government's Coronavirus Job Retention Scheme. These employees were in the category of being unable to perform their role by working from home but were restricted from attendance at the workplace due to Government guidance related to the COVID-19 pandemic. The Company funded the shortfall in salaries ensuring that all furloughed employees received 100 per cent of their salary for the period they were furloughed and no redundancies occurred. Furloughed employees returned to their workplace as soon as Government guidance indicated that they were permitted to do so. All other employees remained fully operational with a high proportion of remote working. We have no current plans to access any further Government COVID-19 support.

Directors' remuneration policy

We review the Directors' remuneration policy fully every three years to ensure that it is working effectively, is aligned to the interests of shareholders and other stakeholders and supports the Company's long-term business strategy, culture and values with an annual review to check the policy is still appropriate.

During the year, we carried out the three-year comprehensive review of the current remuneration policy. The revised policy will be put to shareholders at the 2021 AGM if the acquisition of the Company by the Wellcome Trust has not completed before the end of March 2021. The policy was last approved by shareholders in February 2018 and the policy, including a summary of the changes proposed, is found in the remuneration policy report. The changes proposed reflect best practice and investor expectations but, due to current economic uncertainties as a result of the COVID-19 pandemic, we are not proposing any major changes. We believe that the revisions made to the policy in 2018 reflect the long-term business of the Company and align the objectives of the Executive Directors with those of the Group as a whole and with the policies in place for the wider workforce. We believe that the policy provides clarity and transparency to the remuneration structure and that the principles have been adopted for all employees of the Group. We concluded that the policy continues to support the delivery of business strategy and the creation of shareholder value by balancing rewards with the performance of the business. The key changes enhance the existing policy and relate to pension arrangements, post-employment shareholding requirements and ESG performance measures as part of long-term incentive performance objectives.

Pension alignment

The 2018 remuneration policy introduced an alignment of the pensions payable to Executive Directors appointed after the adoption of the policy with those of the workforce, currently 10 per cent of base salary. However, pension payments to incumbent Executive Directors were unchanged at 15 per cent base salary. The proposed new policy will align the pension payments of all Executive Directors with the workforce. Accordingly, the incumbent Executive Director pensions will be reduced to the level available to the workforce, with effect from 1 October 2022. No compensation will be awarded for this change.

Post-employment shareholding requirements

The 2018 Code recommended the development of a formal policy for post-employment shareholding requirements and the new policy contains provisions for a requirement to maintain a shareholding equivalent to 200 per cent of base salary for a period of two years after cessation of employment. This will apply to existing Executive Directors and to any new appointees. The requirement will apply to shares acquired under PSP awards granted from 1 October 2020 onwards. The Committee carefully considered and discussed the correct level at which to set the post-employment shareholding requirement. In particular, it took into account the existing features of our remuneration policy which strongly encourage long-term sustainable performance. These include the above-market weight on long-term variable remuneration at Urban&Civic, the below-market weight on annual bonus, and the current in-employment shareholding requirements which are significantly above market (500 per cent of base salary for the Chief Executive and Managing Director, and 250 per cent of base salary for other Executive Directors). In addition, the typical in-employment shareholding requirement at FTSE 250 companies is 200 per cent of base salary, and compliance with the IA guidelines at such companies would result in a post-employment shareholding requirement of 200 per cent of base salary for two years, which is exactly the level we are proposing. On balance, we therefore consider the approach to the proposed post-employment shareholding requirement to be appropriate and to sufficiently encourage a long-term perspective.

ESG performance measures

The proposed new policy also contains flexibility to enable the Committee to introduce environmental, social and governance performance measures as part of the long-term incentive performance objectives, in addition to those applied for annual bonus awards. The introduction of such measures would be subject to shareholder consultation. The Company is in the process of developing measurable sustainability targets and integrating them in our business. More information on our work in this area can be found in the strategic report on pages 48 to 63.

Process

We led early discussions with our remuneration advisers on the areas in the policy requiring enhancement or change, with consistency with market practice and full compliance with the 2018 Code being our key objectives. After a discussion of the proposals, we commenced the process of agreeing the proposed changes. We listened to feedback from the Executive Directors and, as outlined below, gave the members of the wider workforce the opportunity to comment on the proposals. We also consulted with our largest shareholders and took into account their feedback. A timetable of the steps involved in the proposal of the new policy was agreed at an early stage which ensured that the process was carried out in a comprehensive and timely manner giving adequate opportunity for consultation and discussion.

Engagement with shareholders

We value the engagement with, and support of, our shareholders and as part of the review of the Directors' remuneration policy we gave our major shareholders the opportunity to provide feedback on our proposals for policy changes and offered them the opportunity to discuss directly with the chair of the Remuneration Committee. A letter inviting consultation was sent to 14 major shareholders, representing c.67 per cent of our issued share capital, and to two proxy voting agencies supporting our commitment to communication with our stakeholders. We ensured that the views of our shareholders expressed during the consultation were considered by the Committee when approving the revised Directors' remuneration policy, prior to recommendation to the Board that the policy be presented to shareholders for approval. During consultation we received limited feedback on the post-employment shareholding requirement and ESG performance measures. This feedback was taken into account by the Committee and we have provided information on both these areas above. We also received feedback noting the enhanced malus and clawback provisions and welcoming the positive step in aligning Executive Director pensions with the workforce.

If you would like to discuss any aspect of the remuneration policy, please contact the Company Secretary, Heather Williams, at heather.williams@urbanandcivic.com who will arrange a meeting with me.

Employee engagement

The Company has established a formal workforce advisory panel, the Employee Advisory Group (EAG), to enable the Board to engage with the workforce and to obtain the views of employees on a range of subjects. The Board receives feedback from this group by regular reports from the Managing Director and minutes of EAG meetings. A more detailed description of Board engagement with the workforce is found in the corporate governance report.

The Group employs c.100 people and the Committee reviews the structure of remuneration across the Group when reviewing the Executive Directors' remuneration policy. We also consider the general base salary increase for all employees when determining the annual salary increases for the Executive Directors. During the year, as Chair of the Remuneration Committee, I attended a meeting of the EAG to explain the operation of the Executive Directors' remuneration policy and how it aligns with the remuneration policies in place for the rest of the workforce. I also outlined the expected changes to the policy in 2021 and explained the governance and best practice guidelines supporting this area. The members of the EAG had the opportunity to raise any questions on the remuneration structure in place and its operation in practice to ensure that workforce views were considered by the Committee. We believe that the workforce remuneration structure, including bonus objectives, is closely aligned to the Directors' policy enabling fairness across the Group in applying our remuneration policies and principles.

INTRODUCTION CONTINUED

Key responsibilities of the Remuneration Committee

Executive remuneration

Approval of the structure of remuneration for the Executive Directors and senior management.

Set performance measures and targets for the Executive Directors and review their achievement.

Determination of annual bonus and PSP awards for Executive Directors and senior management.

Workforce remuneration

Overview of remuneration practices across the Group to ensure alignment with the Directors' remuneration policy, taking into account market practice and governance updates.

Engagement

Consultation with shareholders where required on matters relating to the Directors' remuneration policy.

Engagement with the workforce on remuneration matters.

Governance and compliance

Approval of any Group disclosures relating to remuneration.

The Committee's responsibilities are detailed in its terms of reference which it reviews annually, updating as required to reflect any developments in regulatory requirements, governance or best practice.

Terms of reference: **www.urbanandcivic.com/governance/remuneration-committee**

Membership

During the year, the membership of the Remuneration Committee was reviewed by the Nomination and Governance Committee and the Board. Jon Di-Stefano was appointed as a member of the Committee with effect from 1 January 2020. There were no other changes to the Committee membership during the year.

Members of the Committee attend all meetings, and attendance by the members of the Committee at the six scheduled meetings held during the year ended 30 September 2020 is shown below.

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2020	Meetings attended/ eligible to attend
June Barnes	Chair	Yes	01/07/17	3 years 3 months	**6/6**
Ian Barlow	Member	Yes	01/09/16	4 years 1 month	**6/6**
Rosemary Boot	Member	Yes	23/05/19	1 year 4 months	**6/6**
Jon Di-Stefano	Member	Yes	01/01/20	9 months	**5/5**[1]
Sanjeev Sharma	Member	Yes	23/05/19	1 year 4 months	**6/6**

1. Jon Di-Stefano was appointed to the Committee on 1 January 2020 and was ineligible to attend one meeting which took place prior to his appointment.

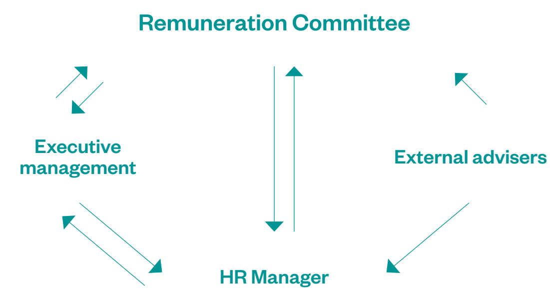
Operation of the Committee

- Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors, the HR Manager and advisers attend by invitation.
- During the year, Aon Hewitt and subsequently Alvarez and Marsal both acted as independent remuneration consultants to the Committee.
- No Director or employee is involved in discussions on their own pay.
- Agenda items are linked to a structured calendar of items for discussion and/or decision to ensure that the Committee carries out a thorough and effective review of key regulatory and governance areas. The Company Secretary sets the agendas following discussion with the Chair of the Committee.
- The Committee receives regular updates on governance, market and best practice developments and its review of the operation of Group policies takes this into account.

Committee performance evaluation

The Committee annually assesses its own performance against the role and responsibilities set out in its terms of reference. Further assessment of the role and effectiveness of the Remuneration Committee was considered as part of the 2019/20 Board evaluation process as explained in the report of the Nomination and Governance Committee. The overall conclusion was that the Committee continues to support the Board, is working well and continues to operate effectively and in accordance with the UK Corporate Governance Code and relevant guidance.

Key information flows



Our work during the year

Chair and Executive remuneration

- Approval of increase to Chair's fee.
- Approval of remuneration arrangements for Executive Directors and senior management.
- Assessed the achievement of the EPRA NAV, cash generation and personal objectives relating to the Executive Directors' bonus awards in relation to the year ended 30 September 2019.
- Approval of the bonus objectives for Executive Directors for the year ended 30 September 2020.
- Agreement of key changes to the Directors' remuneration policy.

Workforce remuneration

- Review of the structure of workforce remuneration including an analysis of shifts in salary and bonus trends across the Group.
- Review of the operation of Group remuneration policies including base salary levels, bonus and long-term incentive awards and benefits.
- Oversight of workforce bonus objectives to ensure alignment with those of the Executive Directors.

PSP awards

- Assessment of the achievement of the performance conditions of the PSP awards granted in December 2016, in respect of the performance period 1 October 2016 to 30 September 2019, and approval of their vesting.
- Approval of the grant of PSP awards in December 2019 to Executive Directors and across the workforce. These awards are expected to vest in December 2022 and are subject to performance conditions.
- Review of a schedule of headroom of shares held by the Employee Benefit Trust to ensure that there is sufficient capacity to issue shares on the exercise of PSP awards.

Engagement

- Review of a schedule of workforce joiners and leavers to ensure any matters relating to remuneration are addressed appropriately.
- Engagement with employees through the attendance by the chair of the Remuneration Committee at a meeting of the Employee Advisory Group.
- Consultation with major shareholders on the proposed revisions to the Directors' remuneration policy.

Governance and compliance

- Annual review of compliance with share ownership guidelines by both Executive Directors and selected members of senior management.
- Oversight of the workstreams arising from the internal controls review of the HR function.
- Annual review of appointments of employees with third parties, outside of their Urban&Civic role.
- Review of the performance and effectiveness of the Committee, taking into account the duties and responsibilities set out in its terms of reference.

Performance and reward in the year to 30 September 2020

Our remuneration framework is aligned with the Company's strategic direction and performance and there is a clear link between results and rewards. The Group's results for the year ended 30 September 2020 are discussed in the strategic report on pages 2 to 63. The Group has reported a total comprehensive loss for the year of £8.2 million (2019 income: £12.6 million), IFRS net assets of £393.3 million (2019: £403.0 million) and EPRA net assets of £499.1 million (2019: £527.5 million) at 30 September 2020, 2.4 per cent and 5.4 per cent lower compared against the same respective net asset valuations at 30 September 2019. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets. In light of COVID-19 and the impact this has had on the level of dividend payments to shareholders and to take account of Government funding that we have received it was agreed by the Board that it was not appropriate to pay any bonus to the Executive Directors this year.

Further details are set out in the annual report on remuneration.

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

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

Performance Share Plan awards

PSP awards granted in February 2018 were due to vest in February 2021, based on performance from 1 October 2017 to 30 September 2020. Half of these awards were based on TSR performance and half were subject to an EPRA NAV performance condition. In light of the offer from the Wellcome Trust which was initiated during the performance period, the Committee considered after the end of the performance period how these awards should be treated if the acquisition were to be completed, and if the acquisition were not to complete.

In the event that the acquisition were to complete, the Committee decided it would be fair and reasonable to assess performance by taking into account the impact of the acquisition. This will require an exercise of discretion under the plan rules which would only be employed if shareholders approve the acquisition. In more detail, the TSR performance condition would be assessed using the offer price, which results in strong three-year TSR growth of 11.16 per cent per annum and represents performance in between the threshold and stretch targets. In the case that the acquisition is not approved by shareholders, the PSP awards will be treated as normal with no exercise of discretion. In both situations, the NAV performance condition would be assessed using the year-end EPRA NAV as reported, which results in three-year growth of 5.02 per cent per annum which is just above the threshold target.

Hence if the acquisition were to complete, 58 per cent of the shares under award would vest to Executive Directors and other participants in the scheme. If the acquisition does not complete then 12.6 per cent of the shares vesting under award would vest to Executive Directors and other participants in the scheme.

For the purposes of the single figure calculation (see page 110) it has been assumed that the acquisition does not proceed. Further detail is provided on the performance assessment later in the report.

The acquisition will also impact the outstanding PSP awards which are due to vest after the financial year ending 30 September 2021. If the acquisition is approved by shareholders, the Committee has decided that the performance test will be applied and that a pro-rata reduction will be made for time served during the performance period. This approach would result in the vesting of 16.2 per cent of the PSP awards granted in December 2018, and 9.4 per cent of the PSP awards granted in December 2019.

At this time, the Committee has no intention to grant PSP awards during the financial year ending 30 September 2021. However, in the case that the acquisition does not proceed, the Committee will review this decision and take into account prevailing circumstances, such as any reduction in share price and the outlook for our business.

The year ahead

The main focus of the Committee in the coming year will be to oversee the implementation of the new Directors' remuneration policy, subject to its approval by shareholders at the 2021 AGM should the acquisition of the Company by the Wellcome Trust not complete. We will also continue our oversight of workforce remuneration policies and will ensure the alignment of workforce remuneration arrangements with the Directors' remuneration policy. We intend to engage a third party to carry out an independent review and assessment of current Group remuneration policies and to carry out a benchmarking process for remuneration across the workforce including the Executive Directors. This review will include the ongoing monitoring of gender pay. Performance across the Group will be rewarded with transparent and competitive remuneration and will support the strategic aims and values of the Group.

The ongoing work of the Committee will reflect emerging trends in corporate governance, best practice and investor expectations and we monitor developments in these areas on a continual basis.

2021 AGM

I hope you find this remuneration report clear and informative. If the acquisition of the Company has not completed by March 2021, the Company will call an AGM before the end of March 2021. If held, we look forward to receiving your support for the resolutions at the 2021 AGM to approve the annual report on remuneration and to adopt the new Directors' remuneration policy.

June Barnes
Chair of the Remuneration Committee
4 December 2020

The Directors' remuneration policy set out below will be submitted for approval at the 2021 AGM, should the acquisition of the Company by the Wellcome Trust not complete. The key differences between this policy and the previous policy approved at the 2018 AGM have been set out below and are discussed in the Chair's introduction on pages 100 and 101.

Area	Current policy	New policy
Pension	Incumbent Executive Directors: 15 per cent of base salary. New Executive Directors: aligned with the level available to the majority of the workforce.	Incumbent Executive Director pensions to be aligned with the level available to the majority of the workforce with effect from 1 October 2022.
Long-term incentives	Performance measurement based on TSR and financial measures.	Additional flexibility to include an environmental, social and governance performance measure. The introduction of such a measure would be subject to consultation with shareholders.
Post-employment shareholding requirement	Not included.	The equivalent in shares of 200 per cent of base salary to be held for two years post-employment.

In addition to the above key changes, certain existing areas of practice which are present in our Performance Share Plan rules and associated documents have now been set out in the policy. This includes a summary of the circumstances in which clawback and malus can be applied and the discretion to override formulaic vesting outcomes. A new section providing more information on the discretions in the policy has also been provided for clarity.

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

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

Summary of remuneration policy

The Directors' remuneration policy below sets out the changes to the policy previously approved by shareholders at the 2018 AGM.

Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Change to policy
Executive Directors					
Base salary	To provide a competitive salary level to attract and retain high calibre executives.	Basic salaries are reviewed on an annual basis. The Committee seeks to establish a basic salary for each position determined by individual responsibilities and performance taking into account comparable salaries for similar positions in companies of a similar size in the same market.	There is no prescribed maximum base salary or annual salary increase. The Committee is guided by the general increase for the broader employee population but may decide to award a lower increase for Executive Directors or indeed exceed this to recognise, for example, an increase in the scale, scope or responsibility of the role and/or to take into account relevant market movements. Current salary levels are set out in the annual report on remuneration.	Not applicable.	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.	For new Executive Directors, pension will be no higher than the level available to the majority of the workforce. For existing Executive Directors, pension will be brought in line with the level available to the majority of the workforce as set out below. Before 1 October 2022: up to 15 per cent of salary. After 1 October 2022: pension no higher than the level available to the majority of the workforce.	Not applicable.	Alignment of Executive Director pensions to the workforce level from 1 October 2022.
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.	Not applicable.
Annual bonus	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. Bonus will be paid in cash.	Up to 100 per cent of base salary.	Performance period: normally one year. The majority (if not all) of the performance targets will be based on financial targets with any remainder based on personal/strategic targets. Clawback and malus provisions operate in the case of corporate failure, material downturn in performance due to management failure, reputational damage and serious misconduct.	Not applicable.

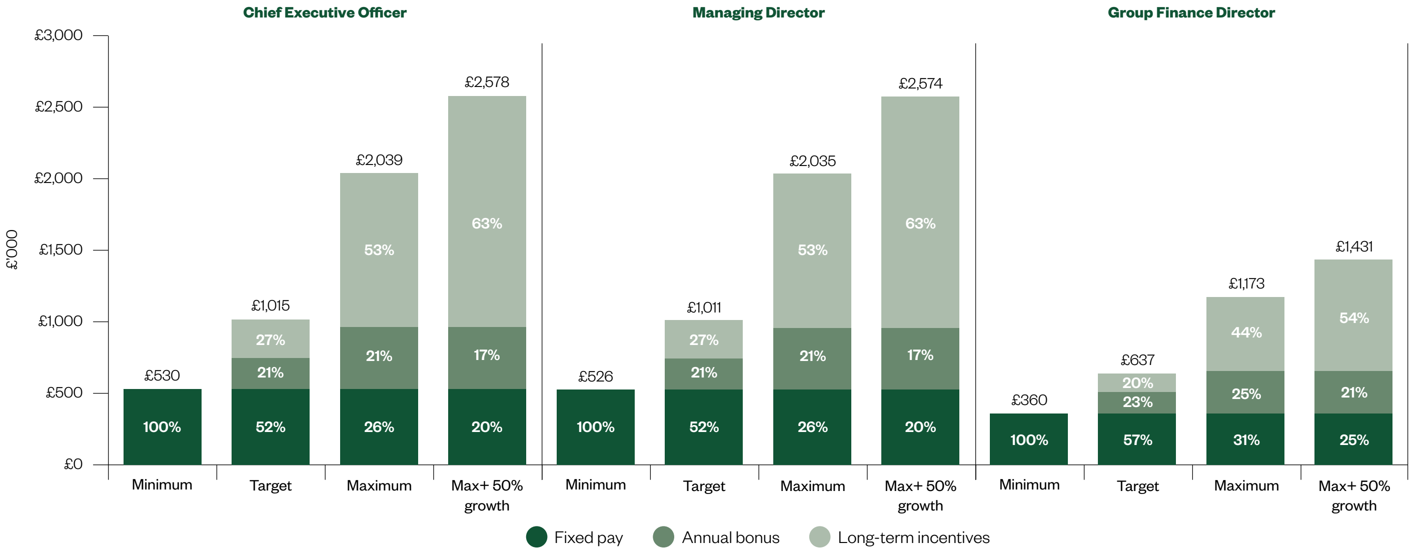
Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions	Change to policy
Executive Directors continued					
Long-term incentives – Performance Share Plan (PSP)	To drive and reward the long-term performance of the Group and to align the interests of management.	Awards granted under the PSP have the following features: • conditional awards or nil/ nominal cost options; • vesting is dependent on the satisfaction of performance targets and continued service; and • awards are subject to a two-year holding period.	300 per cent of salary for CEO and MD. 275 per cent of salary for other Executive Directors.	Performance period: normally three years. 25 per cent of an award vests at threshold performance (0 per cent vests below threshold), increasing to 100 per cent pro-rata for maximum performance. Performance will be measured against TSR and/or relevant financial and/or environmental, social and governance measures. Clawback and malus provisions operate in the case of corporate failure, material downturn in performance due to management failure, reputational damage and serious misconduct.	Flexibility to introduce environmental, social and governance performance measure(s) subject to consultation with shareholders.
Share ownership guidelines	To further align executives with shareholders.	The Committee requires that Executive Directors satisfy a minimum shareholding requirement.	In-employment requirement: minimum of 500 per cent of salary for the current CEO and MD and 250 per cent for any other Executive Director (including the current FD). Post-employment requirement: 200 per cent of base salary to be held for two years after termination of employment.	Not applicable.	Introduction of post-employment share ownership requirement.
Non-Executive Directors					
Fees	To provide fees reflecting time commitments and responsibilities of each role, in line with those provided by similarly sized companies.	Cash fee normally paid on a monthly basis. Non-Executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with the right experience, the time and responsibilities entailed and comparative fees paid in the market in which the Group operates. Taxable benefits may be provided where appropriate including the reimbursement of expenses.	There is no prescribed maximum individual fee or fee increase. The Board (excluding Non-Executive Directors) is guided by the general increase for the broader employee population, time commitment, scope and responsibility of the role and/or relevant market movements. Current fee levels are set out in the annual report on remuneration.	Not applicable.	Not applicable.

Notes:

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

Reward scenarios

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



Notes:

1. The minimum performance scenario comprises the fixed elements of remuneration only, including:
   - salary, as set out in the annual report on remuneration;
   - pension (15 per cent of salary); and
   - benefits are approximated.
2. The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of minimum remuneration.
3. Maximum remuneration assumes full bonus pay-out (100 per cent of salary only) and the full face value of the PSP (i.e. 250 per cent of salary for the CEO and MD, and 175 per cent for the FD), in addition to fixed components of minimum remuneration.
4. "Maximum plus 50 per cent growth" uses the same assumptions as the "Maximum" performance scenario, but also assumes that Urban&Civic's share price increases by 50 per cent over the three-year performance period.
5. PSP award sizes are shown as 250 per cent of base salary for the CEO and MD, and 175 per cent of base salary for the FD. These levels are in line with the award sizes for the 2020 PSP grants. They are within the policy maximums of 300 per cent for the CEO and MD, and 275 per cent of base salary for the FD. 2021 PSP grants may not be granted in the case that shareholders accept the offer from the Wellcome Trust and therefore any award sizes are yet to be determined.

Approach to recruitment and promotions

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

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

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

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

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

Service contracts for Executive Directors

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

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

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

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

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

Non-Executive Directors

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

Key areas of discretion in the remuneration policy

The incentive plan rules provide the Committee with certain discretions which serve to ensure the effective implementation of the policy. The extent of such discretions is set out in the relevant rules but is limited by statements made in the policy. For example, the maximum opportunities and selection of performance measures for the Performance Share Plan are limited by the relevant columns of the policy table. Operational discretions include the following:

- selecting the participants in the incentive plans;
- determining the timing of grants of awards and payments;
- determining award levels and payments;
- assessing the achievement of performance conditions and determining the extent of vesting;
- making appropriate adjustments required in certain circumstances, for example, changes in capital structure;
- determining "good leaver" status for our incentive plans and the application of the appropriate treatment;
- reviewing the weighting of performance measures and setting targets for the incentive plans, where applicable, from year to year; and
- overriding formulaic vesting outcomes if the Committee considers the outcome not to be an accurate representation of performance.

If an event occurs which results in a performance condition or targets being deemed no longer appropriate, the Committee will have the ability to adjust the measures and targets and alter weightings, provided that the revised conditions are not materially less challenging than the original conditions. Such events include acquisitions, divestments and change in control.

How the remuneration policy was implemented in the year ended 30 September 2020

Directors' remuneration

The details set out on pages 110 to 117 of this report are subject to audit.

	Basic salary/fees[1]		Benefits[2]		Bonus[3]		Long-term incentives[4]		Pension[5]		Total fixed		Total variable		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Executive Directors																
Nigel Hugill	**431**	421	**34**	35	**—**	271	**117**	884	**65**	63	**530**	519	**117**	1,155	**647**	1,674
Robin Butler[6]	**431**	421	**30**	27	**—**	271	**117**	884	**65**	63	**526**	511	**117**	1,155	**643**	1,666
David Wood	**296**	288	**20**	19	**—**	177	**74**	513	**44**	43	**360**	350	**74**	690	**434**	1,040
Non-Executive Directors																
Ian Barlow[7]	**65**	60	**—**	—	**—**	—	**—**	—	**—**	—	**65**	60	**—**	—	**65**	60
June Barnes[8]	**65**	60	**—**	—	**—**	—	**—**	—	**—**	—	**65**	60	**—**	—	**65**	60
Rosemary Boot[9]	**50**	18	**—**	—	**—**	—	**—**	—	**—**	—	**50**	18	**—**	—	**50**	18
Alan Dickinson[10]	**155**	148	**—**	—	**—**	—	**—**	—	**—**	—	**155**	148	**—**	—	**155**	148
Jon Di-Stefano[11]	**51**	55	**—**	—	**—**	—	**—**	—	**—**	—	**51**	55	**—**	—	**51**	55
Bill Holland[12]	**42**	—	**—**	—	**—**	—	**—**	—	**—**	—	**42**	—	**—**	—	**42**	—
Sanjeev Sharma[13]	**50**	18	**—**	—	**—**	—	**—**	—	**—**	—	**50**	18	**—**	—	**50**	18

1. Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
2. Includes a fully expensed company car or cash alternative and private medical insurance.
3. Further information on the determination of annual bonus payments is set out in the information following this table.
4. The 2020 long-term incentive disclosure refers to the awards granted in February 2018 which had a performance period which ran from 1 October 2017 to 30 September 2020. Following an assessment of performance, based on the scenario that the acquisition is not approved by shareholders, 12.6 per cent of the shares are expected to vest in February 2021. As the awards have not yet vested, the figures shown in the table are based on the average share price in the three months to 30 September 2020, which is 223.0p. However, in the case that the acquisition is approved by shareholders at an offer price of 345p, then the assessment of performance would result in 58 per cent of the shares vesting due to the positive impact on TSR. This would increase the figures shown in the above table to the following amounts: £524,000 for Nigel Hugill and Robin Butler, and £329,000 for David Wood. This would be a non-adjusting post year-end event and hence does not need to be recognised in the current period. The 2019 long-term incentive disclosure refers to the awards granted in December 2016 which had a performance period which ran from 1 October 2016 to 30 September 2019. Following an assessment of performance, 72.3 per cent of the shares vested on 7 December 2019. These figures have been restated from last year's report using the actual share price on the vesting date (330.0p). The figures shown in the table in last year's report were based on the average share price in the three months to 30 September 2019 (316.0p). Further details relating to performance targets, weightings and outcomes can be found on page 112.
5. Pension payments equivalent to 15 per cent of salary are made as a cash supplement to the Directors or directly to a pension scheme.
6. As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as a director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2020, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2019: £20,000).
7. Ian Barlow: Director's fee increased from £60,000 p.a. to £65,000 p.a. on 1 November 2019.
8. June Barnes: Director's fee increased from £55,000 p.a. to £60,000 p.a. on 1 November 2018 and from £60,000 p.a. to £65,000 p.a. on 1 November 2019.
9. Rosemary Boot: appointed as a Director on 10 May 2019. Director's fee increased from £45,000 p.a. to £50,000 p.a. on 1 November 2019.
10. Alan Dickinson: Chairman's fee increased from £125,000 p.a. to £150,000 p.a. on 1 November 2018 and from £150,000 p.a. to £155,000 p.a. on 1 November 2019.
11. Jon Di-Stefano: appointed as Chair of the Audit Committee on 13 February 2019. Director's fee increased from £45,000 p.a. to £60,000 p.a. on that date. Director's fee increased from £60,000 p.a. to £65,000 p.a. on 1 November 2019. Resigned as Chair and member of the Audit Committee on 18 November 2019. Director's fee reduced to £50,000 on that date.
12. Bill Holland: appointed as a Director and Chair of the Audit Committee on 6 February 2020. Director's fee: £65,000 p.a.
13. Sanjeev Sharma: appointed as a Director on 10 May 2019. Director's fee increased from £45,000 p.a. to £50,000 p.a. on 1 November 2019.

Determination of the annual bonus for the year ended 30 September 2020

The annual bonus for the year ended 30 September 2020 was capped at 100 per cent of salary, with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation objectives. As explained earlier in this report, no bonuses will be paid to Executive Directors in respect of the year ended 30 September 2020. Further details of the attainment of the objectives are set out below.

Determination of the annual bonus for the year ended 30 September 2020 continued

EPRA NAV growth

EPRA NAV at 30 September 2020 was £499.1 million. This was below the minimum threshold and therefore no payment (out of a possible 50 per cent of base salary) was payable to the Executive Directors. The targets for the year ended 30 September 2020, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£537.8m	0 per cent of base salary
Target	£558.2m	25 per cent of base salary
Maximum	£580.2m	50 per cent of base salary

Personal/strategic objectives

Personal objectives for the year ended 30 September 2020 were set to measure the individual performance of Executive Directors and included:

Executive Director	Personal objectives	Assessment of achievement
Nigel Hugill	• Continued engagement with institutional shareholders and other stakeholders.	• Very strong, proactive engagement with all stakeholders.
	• Ensure a strong cash generation discipline is established and maintained.	• Cash generation constrained by impact of pandemic.
	• Maintain relationships with finance partners.	• Excellent relationships maintained.
	• Drive progress in achieving planning consents on Strategic Sites.	• Considerable positive progress on planning issues.
	• Develop and implement a sustainability strategy and associated metrics.	• Good progress being made.
Robin Butler	• Ensure a strong cash generation discipline is established and maintained.	• Cash generation constrained by impact of pandemic.
	• Delivery of projects in line with budget and agreed timescales.	• Very strong delivery in spite of pandemic restrictions.
	• Drive performance and key cash delivery of Catesby business.	• Catesby has delivered a good performance.
	• Leadership and management of staff.	• Positive leadership in hugely challenging times.
	• Source further opportunities for additional Strategic Sites.	• Excellent development of pipeline projects.
David Wood	• Ensure a strong cash generation discipline is established and maintained.	• Cash generation constrained by impact of pandemic.
	• Maintain relationships with finance partners.	• Excellent relationships demonstrated in pandemic.
	• Enhance relationships with institutional investors.	• Investors have reported very high quality engagement.
	• Management of high quality and informative reporting, both external and Board reporting.	• Outstanding work.

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.

Notwithstanding the achievement of personal objectives and as explained earlier in this report, no bonuses will be paid to Executive Directors in respect of the year ended 30 September 2020.

Cash generation

Cash generated from completions on Strategic Sites during the year ended 30 September 2020 was £41.6 million. This was below the minimum threshold and therefore no payment (out of a possible 20 per cent of base salary) was payable to the Executive Directors. The targets for the year ended 30 September 2020, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£43.5m	0 per cent of base salary
Target	£54.6m	10 per cent of base salary
Maximum	£65.9m	20 per cent of base salary

Board changes/payments for loss of office

During the year, Bill Holland was appointed to the Board as Non-Executive Director on 6 February 2020. On 18 November 2019, Jon Di-Stefano resigned as Chair of the Audit Committee and Ian Barlow resumed this role pending the appointment of Bill Holland, who was appointed as Chair of the Audit Committee on 6 February 2020. There were no other changes to the Board during the year ended 30 September 2020.

There were no payments for loss of office.

Payments to past Directors

There were no payments to past Directors.

Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2020

The awards granted on 8 February 2018 (in accordance with the Performance Share Plan 2016 rules as amended and approved by shareholders on 8 February 2018) are expected to vest in February 2021 in the case that the acquisition does not proceed. Half of these awards were subject to an EPRA NAV performance condition and half were based on a TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 12.6 per cent of these awards will vest.

	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	5.0% p.a.	12.0% p.a.	(4.26)%	0%
Urban&Civic TSR	12.5%	50%	5.0% p.a.	12.0% p.a.	5.0%	12.6%
Total						12.6%

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 52,584 shares, Robin Butler 52,584 shares, and David Wood 33,047 shares.

As set out in the Annual Statement, if shareholders approve the offer from the Wellcome Trust, then the vesting of these awards will be based on the offer price of 345p. In this scenario, the NAV performance assessment would not change. However, the offer price would result in strong three-year TSR of 11.16 per cent per annum which would increase the total vesting percentage from 12.6 per cent to 58.0 per cent.

Performance Share Plan (PSP) awards granted in the year ended 30 September 2020 which could vest in future years

On 6 December 2019, PSP awards were granted to Executive Directors (in accordance with the Performance Share Plan 2016 rules as amended and approved by shareholders on 8 February 2018) as set out below. Executives not on the Board of the Company are typically eligible for PSP awards.

The number of shares granted to each current Executive Director on 6 December 2019 under the PSP is set out below:

	Number of awards	Face value[1]	Amount of base salary	End of performance period	Threshold vesting[2]	Weighting (of award)[3]	Performance condition and performance range
Nigel Hugill	325,015	£1,077,750	250%	30 September 2022	25%	50%	EPRA NAV growth[4]
					25%	50%	TSR growth[5]
Robin Butler	325,015	£1,077,750	250%	30 September 2022	25%	50%	EPRA NAV growth[4]
					25%	50%	TSR growth[5]
David Wood	156,001	£517,300	175%	30 September 2022	25%	50%	EPRA NAV growth[4]
					25%	50%	TSR growth[5]

1. For the purpose of determining the market value of shares over which the awards were granted, the market value of a share was calculated using the average of the closing middle-market quotation of a share on the five business days immediately prior to the date of grant.
2. Expressed as a percentage of shares subject to the performance condition.
3. Expressed as a percentage of the shares awarded under the PSP.
4. EPRA net asset value performance (50 per cent weighting) must increase by more than 4.0 per cent per annum for 25 per cent vesting and must increase by more than 11.0 per cent per annum for 100 per cent vesting.
5. Total shareholder return (50 per cent weighting) must increase by more than 4.0 per cent per annum for 25 per cent vesting and must increase by more than 11.0 per cent per annum for 100 per cent vesting.

Implementation of the remuneration policy for the year ending 30 September 2021

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2021, should the acquisition of the Company by the Wellcome Trust not complete.

Base salary

Base salary levels for the Executive Directors as at 1 October 2020 and 1 October 2019 are shown below:

Director	Title	2020	2019	% increase
Nigel Hugill	Chief Executive	**£431,100**	£431,100	—
Robin Butler	Managing Director	**£431,100**	£431,100	—
David Wood	Group Finance Director	**£295,600**	£295,600	—

The next salary review date is expected to be 1 October 2021.

Pension

The Group currently contributes 15 per cent of base salary for all Executive Directors (payable into a pension arrangement or as a salary supplement). New Executive Directors will have contribution to pension aligned with the level available to the majority of the workforce, currently set at 10 per cent of base salary. Under the proposed new Directors' remuneration policy, which is subject to shareholder approval, incumbent Executive Director pensions will also be aligned with the level available to the majority of the workforce with effect from 1 October 2022.

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 2021, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 105 to 109. The maximum bonus opportunity will be 100 per cent of base salary with 35 per cent of the annual bonus opportunity based on growth in EPRA NAV, 20 per cent based on personal/strategic objectives, 35 per cent based on cash generation and 10 per cent based on the progress on implementing the ESG framework. Annual bonus targets for the year ending 30 September 2021 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2021 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses, for example, in the event that the share price diverges markedly from reported growth in EPRA NAV.

Long-term incentives

Award levels and performance targets are yet to be determined, and no awards under the PSP will be made if shareholders approve the offer from the Wellcome Trust. If the acquisition is not approved, then award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and TSR conditions and measured over the performance period from 1 October 2020 to 30 September 2023. 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. When making any new awards and setting targets, the Committee will take account of the prevailing economic circumstances and will seek to avoid any windfall gains resulting from granting awards at a lower share price.

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 2021. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board which took effect from 1 November 2019. The base fee for Non-Executive Directors is £50,000 p.a. (increased from £45,000 p.a.) with an additional £15,000 p.a. payable to the Senior Independent Director and to the chairs of the Audit, Remuneration and Nomination and Governance committees.

Non-Executive Directors' fees as at 1 October 2019 and 1 October 2020 are shown below:

	1 October 2020	1 October 2019
Alan Dickinson[1]	**£155,000**	£150,000
Ian Barlow[2]	**£65,000**	£60,000
June Barnes[2]	**£65,000**	£60,000
Rosemary Boot[3]	**£50,000**	£45,000
Jon Di-Stefano[4]	**£50,000**	£60,000
Bill Holland[5]	**£65,000**	n/a
Sanjeev Sharma[3]	**£50,000**	£45,000

1. Annual fee increased to £155,000 with effect from 1 November 2019.
2. Annual fee increased to £65,000 with effect from 1 November 2019.
3. Annual fee increased to £50,000 with effect from 1 November 2019.
4. Annual fee increased to £65,000 with effect from 1 November 2019. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced from £65,000. to £50,000 on that date.
5. Appointed to the Board on 6 February 2020.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2021.

Statement of Directors' shareholdings and share interests

Full details of unvested performance share awards in the Company held by Executive Directors in office at 30 September 2020, together with details of awards granted to all Directors who held office during the year, are shown below. Vested shares are included in the table on page 110.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	405,153	8 February 2018	302.4p	Nil	8 February 2021[1] to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	325,015	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029
Robin Butler	405,153	8 February 2018	302.4p	Nil	8 February 2021[1] to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	325,015	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029
David Wood	254,629	8 February 2018	302.4p	Nil	8 February 2021[1] to 7 February 2028
	177,336	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
	156,001	6 December 2019	330.0p	Nil	6 December 2022 to 5 December 2029

1. 12.6 per cent of the shares are expected to vest in February 2021, should the acquisition of the Company by the Wellcome Trust not complete, see table on page 112.

Directors' shareholdings

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

	Interests in ordinary shares		Deferred shares under the bonus scheme		Share awards subject to performance conditions[1]		Share awards no longer subject to performance conditions		Shareholding guideline met[2]
	30 September 2020	30 September 2019	**30 September 2020**	30 September 2019	**30 September 2020**	30 September 2019	**30 September 2020**	30 September 2019	
Current Directors									
Nigel Hugill	**1,371,173**	1,361,589	**131,974**	130,174	**1,173,527**	1,235,814	**434,492**	154,473	Yes
Robin Butler	**1,423,265**	1,413,318	**80,935**	79,135	**1,173,527**	1,235,814	**376,269**	96,250	Yes
David Wood	**279,702**[3]	94,775	**—**	76,078	**587,966**	656,629	**—**	109,209	Yes
Ian Barlow	**142,272**	112,272	**—**	—	**—**	—	**—**	—	n/a
June Barnes	**25,080**	20,037	**—**	—	**—**	—	**—**	—	n/a
Rosemary Boot	**17,496**	9,100	**—**	—	**—**	—	**—**	—	n/a
Alan Dickinson	**100,000**	88,889	**—**	—	**—**	—	**—**	—	n/a
Jon Di-Stefano	**4,000**	4,000	**—**	—	**—**	—	**—**	—	n/a
Bill Holland[4]	**6,000**	—	**—**	—	**—**	—	**—**	—	n/a
Sanjeev Sharma	**8,018**	—	**—**	—	**—**	—	**—**	—	n/a

1. Details of the unvested PSP awards of Executive Directors as at 30 September 2020 are shown in the table at the top of this page.
2. Share ownership guidelines as set out in the Directors' remuneration policy are that Executive Directors should satisfy a minimum shareholding requirement: minimum of 500 per cent for the current Chief Executive and Managing Director and 250 per cent for any other Executive Director, including the current Finance Director. The Chief Executive, Managing Director and Finance Director have met the guideline. Satisfaction of the guideline is tested annually and, once it has been met, is fixed as a number of shares. Thereafter, the required number of shares is increased each time that an Executive Director receives a base salary increase.
3. On 13 February 2020, David Wood exercised outstanding entitlements over 348,944 ordinary shares under the Company's Performance Share Plan and Deferred Share Bonus Plan. The related option price and tax withholding obligations from the proceeds were settled by the sale on the same date of 164,684 of those ordinary shares to the Company's employee benefit trust. In total, 184,260 ordinary shares were delivered to him in order to satisfy the 2016 deferred annual bonus, 2017 deferred annual bonus, the exercise of awards granted over ordinary shares in the Company under the Company's Performance Share Plan in September 2014, June 2016 and December 2016.
4. Appointed as a Director on 6 February 2020.

Directors' service contracts

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

Executive Directors

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

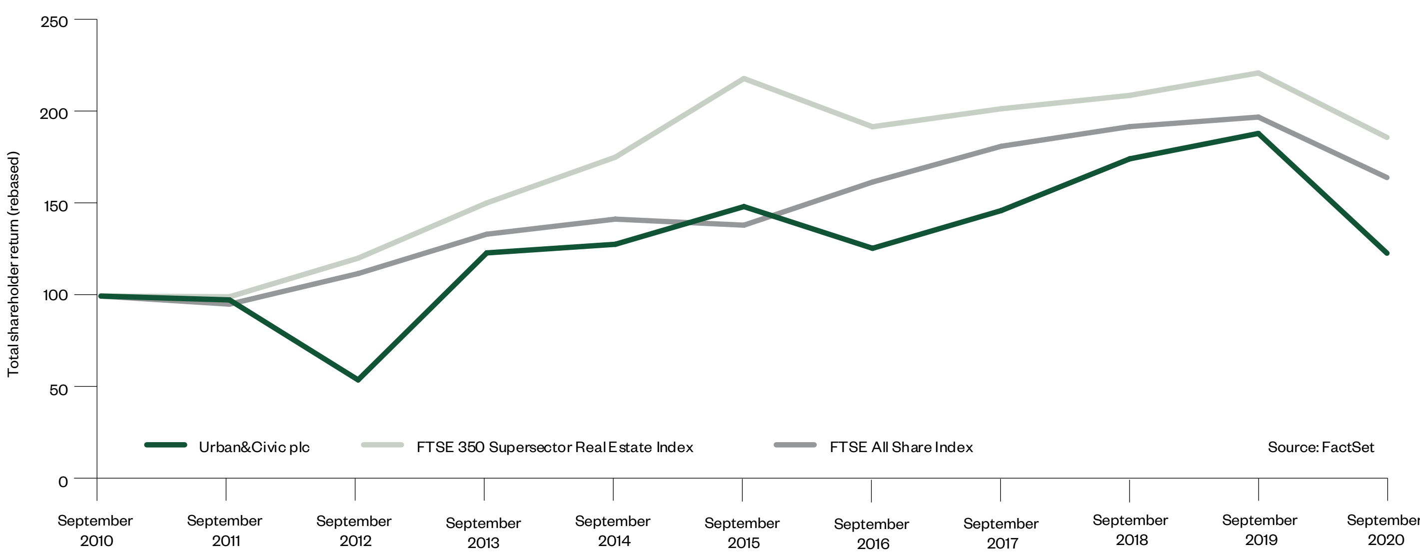
1. Contracts will continue until terminated by notice either by the Company or the Director.

Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Rosemary Boot	3 months	9 May 2019
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
Bill Holland	3 months	4 February 2020
Sanjeev Sharma	3 months	9 May 2019

TSR performance graph and table

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



Chief Executive ten-year history

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

Year	Incumbent	Single figure of total remuneration £'000	Annual bonus pay-out against maximum[1]	PSP vesting against maximum opportunity
2019/20	Nigel Hugill[2]	£647	0%	12.6%
2018/19	Nigel Hugill	£1,674	64.4%	72.3%
2017/18	Nigel Hugill	£1,167	86.6%	59.7%
2016/17	Nigel Hugill	£1,190	62.5%	28.7%
2015/16	Nigel Hugill	£675	31.7%	—
2014/15	Nigel Hugill	£661	28.6%	—
2013/14	Nigel Hugill	£515	n/a	n/a[4]
2013/14	Philip Leech[5]	£536	n/a	—
2012/13	Philip Leech	£652	n/a	—
2011/12	Philip Leech	£345	n/a	—
2010/11	Philip Leech	£400	n/a	n/a[6]

1. A discretionary annual bonus scheme without a maximum was operated historically (under Terrace Hill). 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. Expected vesting figure. See table on page 112.
4. No awards were granted with a performance period ended in 2013/14.
5. Chief Executive of Terrace Hill until 22 May 2014.
6. No awards were granted with a performance period ended in 2010/11.

Percentage change in remuneration of Directors and employees

	Percentage change in:		
	Base salary/fee 2020	**Benefits 2020**	**Bonus 2020**
Executive Directors			
Nigel Hugill	**2.4%**	**(2.9)%**	**(100)%[1]**
Robin Butler	**2.4%**	**11.1%**	**(100)%[1]**
David Wood	**2.8%**	**5.3%**	**(100)%[1]**
Non-Executive Directors			
Ian Barlow	**8.3%**	—	—
June Barnes	**8.3%**	—	—
Rosemary Boot	**11.1%[2]**	—	—
Alan Dickinson	**3.3%**	—	—
Jon Di-Stefano	**(7.3)%[3]**	—	—
Bill Holland	**n/a[4]**	—	—
Sanjeev Sharma	**11.1%[2]**	—	—
Employees of the parent company[5]	**2.5%**	**4.5%**	**(100)%**
Employees of the Group[1]	**2.5%**	**8.3%**	**(88)%**

1. No bonuses were paid to Executive Directors in respect of the year ended 30 September 2020.
2. Rosemary Boot and Sanjeev Sharma were appointed as Non-Executive Directors on 10 May 2020. The percentage increase is calculated on their annual fee rather than the fees received during the period 10 May 2019 to 30 September 2019.
3. Jon Di-Stefano resigned as Chair of the Audit Committee on 18 November 2019 and his fee was reduced on that date.
4. Bill Holland was appointed as a Non-Executive Director on 6 February 2020.
5. The regulations require disclosure of the change in remuneration of the employees of the parent company. As the parent company employs less than 10 per cent of the workforce, the Remuneration Committee does not think this is a relevant comparator group. The Remuneration Committee has therefore decided to voluntarily disclose the percentage change in remuneration of all employees of the Group.

Relative importance of the spend on pay

	Year ended 30 September 2020	Year ended 30 September 2019	% change
Wages and salaries (including discretionary bonus) (£m)[1]	**9.7**	12.4	(21.8)
Dividends paid during the year (£m)	**3.6**	5.2	(30.8)
EPRA net asset value (£m)	**499.1**	527.5	(5.4)
Total shareholder return (per cent)	**(34.1)**	7.9	531.6

1. Including all Executive Directors.

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 their 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 where it considers appropriate. During the year, Aon Hewitt and Alvarez and Marsal both acted as independent advisers to the Committee and the Committee is satisfied that there are no connections with the Group that may impact their objectivity and independence. Neither provides any other services to the Company. Aon Hewitt and Alvarez and Marsal were paid £18,100 and £14,900 respectively in respect of the year ended 30 September 2020.

Statement of voting

The table below shows the voting outcomes of the resolutions put to shareholders regarding the Directors' remuneration report (at the AGM in February 2020) and the Directors' remuneration policy (at the AGM in February 2018).

Resolution	For the resolution[1]	%	Against the resolution	%	Votes withheld[2]
Directors' remuneration report (2020 AGM)[3]	119,216,760	98.32	2,032,633	1.68	8,298
Directors' remuneration policy (2018 AGM)[4]	117,939,613	95.35	5,756,940	4.65	9,566

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.
3. As at the date of the meeting there were 145,148,088 ordinary shares of 20p each in issue.
4. As at the date of the meeting there were 144,964,808 ordinary shares of 20p each in issue.

June Barnes
Chair of the Remuneration Committee
4 December 2020

Additional disclosure

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

Directors' report

Introduction

The Directors present their report together with the audited accounts for the year ended 30 September 2020. The principal activities of the Group during the year continue to be property development and investment, both directly and through joint venture arrangements.

Company status and branches

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

Results and dividends

The Group reported a loss for the year of £8.2 million (2019: profit £12.6 million) as shown in the consolidated statement of comprehensive income on page 128. No interim dividend was paid during the year (2019: 1.4p per share) and no final dividend is proposed. The total dividend paid during the year amounts to £3.6 million (2019: £5.2 million), which represents the 2019 final dividend.

Annual General Meeting

Details of the 2021 Annual General Meeting will be provided to shareholders separately. It will only be scheduled if the acquisition by the Wellcome Trust has not completed before the end of March 2021. A separate circular containing the notice of meeting and explanatory notes of all the resolutions to be proposed at that meeting will be circulated separately to shareholders if the meeting is scheduled. All votes will be taken on a poll at the meeting rather than on a show of hands. If the meeting is held, the special business 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 adoption of new Articles of Association, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice.

Directors

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

Chairman	
Alan Dickinson	Chairman (independent on appointment)
Executive Directors	
Nigel Hugill	Chief Executive
Robin Butler	Managing Director
David Wood	Group Finance Director
Independent Non-Executive Directors	
Ian Barlow	Senior Independent Non-Executive Director
June Barnes	
Rosemary Boot	
Jon Di-Stefano	
Bill Holland	Appointed on 6 February 2020
Sanjeev Sharma	

Biographical details of the Directors are contained on pages 66 and 67.

The Directors' remuneration report, which includes details of Directors' service agreements and their interests in the shares of the Company, is set out on pages 98 to 117.

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

All Directors will offer themselves for election or re-election at the 2021 AGM, if held, in accordance with the UK Corporate Governance Code.

Directors' liability insurance and indemnity

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

Charitable and political donations

Charitable donations during the year were £64,000 (2019: £46,000). In addition, together with its joint venture partners, the Group made further charitable donations of £12,000 (2019: £22,000). The Group supported a number of charities including national and local charitable organisations. These covered a range of causes, including local youth, sports and social clubs, charities that help train the unemployed back into work and community environment charities.

Authority was granted at the 2020 Annual General Meeting (the '2020 AGM') to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2021 AGM, if held, and a resolution will be proposed for its renewal. The Group made no political donations during the year (2019: £Nil).

Change of control

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

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

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

Group structure

Details of the Group's subsidiary undertakings and joint ventures and associates are set out in note 9 to the Company's financial statements on pages 168 and 169.

Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 157. As at 30 September 2020, there were 145,179,582 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in its 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. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

The Directors were granted authority at the 2020 AGM to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the conclusion of the 2021 AGM, if held, and a resolution will be proposed for its renewal.

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

Date	Description	Number of ordinary shares of 20p each
21 February 2020	Scrip allotment	31,494

Purchase of the Company's shares

Under the Company's Articles of Association, the Company may purchase any of its own shares. The Company was granted authority at the 2020 AGM to make market purchases of its own ordinary shares, subject to market-standard maximum and minimum price constraints. That authority will expire at the 2021 AGM, if held, and a resolution will be proposed to renew this authority. During the year the Company, via the Employee Benefit Trust, purchased 510,302 ordinary shares of 20p each at a cost of £1,744,000. The Company does not currently hold any shares in treasury.

Employee Benefit Trust

The trustees of the Urban&Civic Employee Benefit Trust (EBT) hold shares in Urban&Civic in trust in order to satisfy any awards made under the Company's employee share plans. As at 30 September 2020, the EBT held 1,182,023 shares (2019: 1,491,248 shares) representing 0.81 per cent (2019: 1.22 per cent) of the Company's issued share capital. The trustees have waived their right to receive dividends on shares held in the Company.

Substantial shareholdings

As at 4 December 2020, the Company had been notified under the Disclosure and Transparency Rules (DTR 5) of the following interests in the ordinary share capital of the Company:

	Number of ordinary shares at 4 December 2020	%
Investec Wealth and Investment Limited	14,454,735	9.96%
Merrill Lynch International	12,605,280	8.68%
J.P. Morgan Securities Plc	10,234,241	7.05%
UBS AG London Branch	9,002,648	6.20%
JO Hambro Capital Management Limited	8,387,301	5.78%
Global Alpha Capital Management Ltd.	7,374,530	5.08%

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.

Auditor

BDO LLP is willing to be reappointed as the external auditor to the Company and Group, and its reappointment has been considered by the Audit Committee and recommended to the Board. If the AGM is held, resolutions will be proposed at the 2021 AGM for BDO's reappointment and to authorise the Directors to determine their remuneration.

Going concern

In assessing going concern, the Directors have reviewed the Group's rolling five-year cash flow forecasts, loan maturities and undrawn facilities and have run sensitivities reflecting the Group's risk profile to ensure covenant compliance over the next 12 months. The Directors have considered any facilities that are due to expire in the next 12 months against progress made on their extension or renewal to date and/or the Group's ability to repay the maturing facilities from Group resources. The Group's key risks are set out in the risk review on pages 38 to 47 and the Board's assessment of long-term viability is set out on page 35.

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

Disclosure of information to the auditor

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

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

Post balance sheet events

Subsequent to the year-end Urban&Civic announced that it had reached agreement on the terms of a recommended cash offer by The Wellcome Trust Limited, as trustee of the Wellcome Trust, for the entire issued and to be issued share capital of the Company. Under these terms, the Company was valued at £506.8 million, equivalent to 345 pence per ordinary share.

The Directors' report was approved by the Board on 4 December 2020 and signed on its behalf by:

Heather Williams

Heather Williams
Company Secretary
Urban&Civic plc

Company number: SC149799

Statement of Directors' responsibilities in respect of the accounts

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

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

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

In preparing these financial statements, the Directors are required:

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

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

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

Responsibility statement

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

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

The Directors' responsibility statement was approved by the Board.

On behalf of the Board

David Wood

David Wood
Group Finance Director
4 December 2020

Opinion

We have audited the financial statements of Urban&Civic plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 September 2020 which comprise the consolidated statement of comprehensive income, consolidated and Company balance sheets, consolidated and Company statements of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report and Accounts, in relation to which ISAs (UK) require us to report to you whether we have anything material to add or to draw attention to:

- the Directors' confirmation set out on pages 38 to 47 in the Annual Report that they have carried out a robust assessment of the Group's emerging and principal risks and the disclosures in the Annual Report that describe the principal risks and the procedures in place to identify emerging risks and explain how they are being managed or mitigated;
- the Directors' statement set out on page 120 in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors identification of any material uncertainties to the Group and the parent company's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; or
- whether the Directors' statement relating to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 35 in the Annual Report and Accounts as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Valuation of investment properties and carrying value of trading properties As detailed in notes 11, 13 and 15, the Group, directly or through its joint ventures, owns a portfolio of property interests which are held as either investment properties or trading properties. As described in the accounting policies in note 1, investment properties owned directly by the Group, including those in the course of development, are held at fair value in the Group financial statements. Trading properties are carried in the consolidated balance sheet at the lower of cost and net realisable value and remeasured to fair value in the Group's EPRA NAV reporting. In respect of the properties held by joint ventures, the Group has an indirect exposure to fair value changes, as the Group adjusts the EPRA carrying amount of these investments for changes in the fair value of the underlying trading property. As described in the Group's critical accounting estimates and judgements in note 1, determination of the fair value of investment properties and the carrying amount and fair value of trading properties is a key area of estimation and judgement. We therefore considered this to be an area of significant audit risk and focus. The Group engaged an independent expert valuer to undertake the valuation of the majority (92 per cent) of its property portfolio by value. The valuation of the Group's property interests requires significant judgements to be made by the valuer. Any inaccuracies in information provided to the valuer or unreasonable judgements could also result in a material misstatement of the Group's income statement, balance sheet and EPRA NAV reporting.	Our audit work included, but was not restricted to, the following: • We assessed the competency, qualifications, independence and objectivity of the external valuer engaged by the Group and reviewed the terms of their engagement for any unusual arrangements. • We read the valuation reports for all properties of the Group and its joint ventures that were subject to external valuation and confirmed that they had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements. • The senior members of our team met with the Group's external valuer independently of management to discuss and challenge the valuation methodology and key assumptions and to consider if there were any indicators of undue management influence on the valuations. • We tested the accuracy of the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate. In respect of the properties in the course of development, this primarily involved agreeing terms of build licence arrangements to the underlying source documentation, agreeing the costs incurred to date to supporting documentation and reviewing the costs to complete against the latest development appraisals and, where applicable, supplier contracts or other agreements. In respect of the income-generating properties, this primarily involved agreeing the passing of rental income and lease terms to underlying supporting documentation. • We formed our own market expectations with the assistance of our own RICS qualified valuer. We compared the key valuation assumptions against our market expectations and challenged the valuer where significant variances from these expectations were identified. We then corroborated its responses to supporting documentation where appropriate. For the properties in the course of development, the key valuation assumptions were deemed to be the forecast gross development values, house price inflation, cost price inflation, developer profit margin and the risk adjusted discount rates. Our review of these assumptions included reference to comparable market transactions, the sales data being generated from the Group's own sites and external market forecasts for house price and cost inflation. For the income generating properties, the key valuation assumptions were the market capitalisation yields and estimated rental values, which we reviewed by reference to market data based on the location and specifics of each property. We also tested the arithmetic and mechanical integrity of formulae in the cash flow models used by the external valuer in the valuation of the key strategic land sites by value (being Alconbury, Rugby, Newark, Wintringham, Priors Hall and Waterbeach). • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

Key observations

We did not identify any indicators to suggest that the judgements and estimates made in the valuation of the Group's investment properties and the carrying value of the Group's trading properties (both held directly and indirectly through joint ventures) were inappropriate.

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Revenue and profit recognition As detailed in note 2, the Group's results for the year include revenue and profit from the sale of residential land parcels and individual units on three of its strategic land sites. The Group's share of profit from joint ventures detailed in note 13 also includes the profits from the sale of residential land parcels on another strategic land site. The proceeds from the sale of land parcels to housebuilders under licence agreements are receivable in stages over the anticipated period of development. There is also a variable price element due to the Group at some point in the future which is dependent upon the sales price that the housebuilders' achieve on each unit. The directly attributable costs of servicing each land parcel prior to sale include site-wide infrastructure costs. The Group has therefore had to develop a method for allocating costs so that the appropriate amount of profit can be recognised on each parcel sale. Where the Group makes direct sales of individual residential units, it has also had to develop a method to allocate the site-wide construction costs to each unit so that the appropriate amount of profit can be recognised on each unit sale. As described in the Group's critical accounting estimates and judgements in note 1, a number of estimates have been made in determining the amount of revenue and profit to recognise from these transactions. We therefore identified the accounting for these sales to be an area of significant audit risk and focus. The Group's revenue also includes income from the sale of commercial trading properties, including beneficial interests in land held through promotion agreements with the landowner. Proceeds from such sales should only be recognised once control of the asset has passed to the buyer, which is typically when contracts have completed. Sale transactions can also be structured such that the Group receives the proceeds as a series of staged payments over a period of more than one year. Given these complexities, we identified the recognition and measurement of this type of revenue as a significant audit risk and focus.	Our audit work in relation to the recognition and measurement of revenue recognised from the sale of land parcels to housebuilders included, but was not restricted, to the following: • We reviewed the terms of each licence agreement to agree how the sales proceeds due to the Group or joint venture entity will be determined and when they will fall due for payment. • We evaluated the revenue recognition policy applied to the fixed minimum amounts that are receivable over time under the licence agreements with housebuilders. • We reviewed and challenged the discount factor applied to these minimum receipts and re-performed the present value calculations. • We reviewed management's estimate of the variable consideration receivable under each of the licence agreements with housebuilders that was not expected to be subject to a significant reversal in future periods and evaluated the judgements made in arriving at those estimates. This assessment was undertaken as at the date of contract completion in respect of new licence agreements completed during the year. Estimates in respect of all existing completed licence agreements were then revisited at the balance sheet date, under IFRS 15. • We evaluated the expected credit loss assessment made by management in respect of the deferred sales receipts the balance sheet date, under IFRS 9. Our audit work in relation to the recognition and measurement of profit from the sale of the residential land parcels included, but was not restricted, to the following: • We evaluated the method by which site-wide infrastructure costs have been allocated to each residential phase and then, where relevant, to each residential unit. • We tested a sample of actual infrastructure costs incurred to date and reviewed the expected costs to complete against the latest project appraisals and contracted costs. In respect of the recognition and measurement of profit from the sale of the individual residential units, we also revisited the method of allocating infrastructure and construction costs to each individual unit that was established in the previous year to evaluate whether this remained appropriate in light of current sales, costs and forecast data. Our audit work in relation to the recognition and measurement of income from the sale of commercial property interests included, but was not restricted, to the following: • We evaluated the revenue recognition policy applied to each of the significant disposal transactions. • We reviewed the terms of the relevant sales agreements to ensure that the Group had fulfilled its contractual obligations to entitle it to the revenue. • We reviewed and challenged the discount factor applied to any deferred sales receipts and tested the present value calculations. • We evaluated the expected credit loss assessment made by management in respect of the deferred sales receipts at the balance sheet date, under IFRS 9.

Key observations

We did not identify any indicators to suggest that the revenue and profit from sale of residential land parcels and individual units on the Group's strategic land sites and the revenue from the sale of commercial trading properties have been recognised inappropriately.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 £5.7 million (2019: £6.5 million). This was determined with reference to a benchmark of Group total assets (of which it represents 1 per cent (2019: 1.1 per cent)) which we consider to be one of the principal considerations for the users of the financial statements in assessing the financial performance of this asset based business.

The materiality for the parent company financial statements as a whole was also set at £5.4 million (2019: £6.2 million), determined with reference to a benchmark of the parent company's total assets (of which it represents 1.1 per cent (2019: 1.3 per cent) on the basis that this is an asset based investment entity.

International Standards on Auditing (UK) also allow the auditor to set a lower materiality for particular classes of transactions, balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. In this context, we set a lower level of materiality of £584,000 (2019: £650,000) to apply to those classes of transactions and balances which impact on the Group's earnings before tax, excluding revaluation movements. In the prior year specific materiality was set at 5 per cent of adjusted earnings (being profit adjusted for any revaluation movements). In the current year the Group was loss making and therefore 1 per cent of revenue was used as the basis for setting specific materiality.

We set performance materiality at 75 per cent (2019: 75 per cent) of the above materiality levels, having considered a number of factors including the expected total value of known and likely misstatements based on previous assurance engagements and other factors.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £100,000 (2019: £100,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of the internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level.

The Group operates solely in the United Kingdom and operates as two components, each structured through a number of subsidiary special purpose vehicle companies. The Group audit engagement team performed all the work necessary to issue the Group and parent company audit opinion, including undertaking all of the audit work on the risks of material misstatement identified above. Our audit work on each component was executed at levels of materiality which were lower than Group materiality, with component materiality set at £664,000 (2019: £690,000) and component specific materiality (for those transactions and balances which impact on the Group's earnings before tax, excluding revaluation movements) set at £266,000 (2019: £487,500).

Capability of the audit to detect irregularities, including fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud might be inherently more difficult to detect than irregularities that result from error.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud.

We designed audit procedures at Group and significant component levels to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006, the UK Listing Rules and tax legislation.

Our tests included agreeing the financial statement disclosures to underlying supporting documentation where relevant, review of Board and Committee meeting minutes, enquiries with management as to the risks of non-compliance and any instances thereof and we considered the adequacy of controls around procurement fraud.

There are inherent limitations in the audit procedures described above and the further removed noncompliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 121** – the statement given by the Directors that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position, performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 91 to 97** – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on pages 64 to 81** – the parts of the Directors' statement required under the Listing Rules relating to the parent company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 121, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were initially appointed by the Directors in April 2001 to audit the financial statements of the parent company for the year ending 30 April 2001. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is 20 years, covering the periods ending 30 April 2001 to 30 September 2020. However, for the purposes of mandatory firm rotation, the period of total uninterrupted engagement is seven years, covering the years ending 30 September 2014 to 30 September 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

Use of our report

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

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
4 December 2020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 September 2020

	Notes	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Revenue	2	**57,241**	102,114
Direct costs	2	**(46,487)**	(80,890)
Gross profit	2	**10,754**	21,224
Administrative expenses		**(17,933)**	(19,875)
(Deficit)/surplus on revaluation of investment properties	11	**(6,090)**	5,791
(Deficit)/surplus on revaluation of receivables	16	**(286)**	850
Share of post-tax profit from joint ventures	13	**4,189**	8,039
Impairment of loans to joint ventures	13	**(718)**	—
Loss on disposal of investment properties	11	**(863)**	—
Operating (loss)/profit	3	**(10,947)**	16,029
Finance income	5	**4,661**	1,777
Finance costs	5	**(1,780)**	(1,470)
(Loss)/profit before taxation		**(8,066)**	16,336
Taxation expense	8	**(173)**	(3,707)
Total comprehensive (loss)/income		**(8,239)**	12,629
Basic (loss)/earnings per share	9	**(5.7)p**	8.8p
Diluted (loss)/earnings per share	9	**(5.7)p**	8.6p

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

The notes on pages 132 to 162 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 September 2020

	Notes	30 September 2020 £'000	30 September 2019 £'000
Non-current assets			
Investment properties	11	**47,562**	52,937
Property, plant and equipment	12	**8,194**	3,958
Investments in joint ventures and associates	13	**126,551**	121,262
Deferred tax assets	14	**3,236**	2,565
Trade and other receivables	16	**33,961**	45,898
		219,504	226,620
Current assets			
Trading properties	15	**311,481**	306,998
Trade and other receivables	16	**36,059**	18,463
Cash and cash equivalents	27	**14,065**	24,441
		361,605	349,902
Total assets		**581,109**	576,522
Non-current liabilities			
Borrowings	18	**(136,990)**	(128,265)
Trade and other payables	17	**(3,705)**	—
Deferred tax liabilities	14	**(9,098)**	(8,509)
		(149,793)	(136,774)
Current liabilities			
Borrowings	18	**(6,227)**	(1,000)
Trade and other payables	17	**(31,771)**	(35,715)
		(37,998)	(36,715)
Total liabilities		**(187,791)**	(173,489)
Net assets		**393,318**	403,033
Equity			
Share capital	20	**29,036**	29,030
Share premium account		**169,268**	169,163
Capital redemption reserve		**849**	849
Own shares		**(3,585)**	(4,086)
Other reserve		**113,785**	113,785
Retained earnings		**83,965**	94,292
Total equity		**393,318**	403,033
NAV per share	22	**270.4p**	275.3p
EPRA NAV per share	22	**343.2p**	360.3p
EPRA NNNAV per share	22	**324.3p**	339.5p

The financial statements were approved by the Board and authorised for issue on 4 December 2020 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 132 to 162 form part of these financial statements.

Registered in Scotland No. SC149799

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2020

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

	Notes	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(8,066)**	16,336
Adjustments for:			
Deficit/(surplus) on revaluation of investment properties		**6,090**	(5,791)
Deficit/(surplus) on revaluation of receivables		**286**	(850)
Share of post-tax profit from joint ventures		**(4,189)**	(8,039)
Impairment of loans to joint ventures		**718**	—
Finance income		**(4,661)**	(1,777)
Finance costs		**1,780**	1,470
Depreciation charge		**1,115**	918
Write down of trading properties		**1,909**	730
Loss on disposal of investment properties		**863**	—
Loss on disposal of property, plant and equipment		**1**	13
Share-based payment expense		**3,733**	3,955
Cash flows from operating activities before change in working capital		**(421)**	6,965
(Increase)/decrease in trading properties		**(7,010)**	11,034
Decrease/(increase) in trade and other receivables		**2,864**	(9,243)
Decrease in trade and other payables		**(2,846)**	(12,368)
Cash absorbed by operations		**(7,413)**	(3,612)
Finance costs paid		**(1,224)**	(1,126)
Finance income received		**64**	72
Tax paid		**(2,552)**	(1,498)
Net cash flows from operating activities		**(11,125)**	(6,164)
Investing activities			
Additions to investment properties		**(3,856)**	(2,144)
Additions to property, plant and equipment		**(138)**	(381)
Loans advanced to joint ventures		**(2,778)**	(9,203)
Profits distributed from joint ventures		**960**	179
Proceeds from disposal of investment properties		**1,496**	—
Net cash flows from investing activities		**(4,316)**	(11,549)
Financing activities			
New loans		**20,054**	37,335
Issue costs of new loans		**(150)**	(580)
Repayment of loans		**(9,088)**	(5,622)
Repayment of lease liabilities		**(526)**	—
Purchase of own shares		**(1,745)**	(755)
Dividends paid		**(3,480)**	(4,862)
Net cash flows from financing activities	27	**5,065**	25,516
Net (decrease)/increase in cash and cash equivalents		**(10,376)**	7,803
Cash and cash equivalents at 1 October		**24,441**	16,638
Cash and cash equivalents at 30 September		**14,065**	24,441

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and certain other receivables. The Company has elected to prepare its individual financial statements, on pages 163 to 169, 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.

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

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

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

Going concern continued

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

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

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

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

Adoption of new and revised standards

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

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

Basis of consolidation

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

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

Business combinations

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

Joint arrangements

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

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

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

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

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

1. Accounting policies continued

Joint arrangements continued

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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

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

Investment properties

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

Investment properties are recognised as an asset when:

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

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

An investment property undergoing redevelopment or refurbishment for continued use as an investment property will remain as an investment property measured at fair value and is not reclassified.

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

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

Trading properties

Trading properties comprise both direct interests in property and indirect beneficial interests in property held through land promotion agreements or other contractual arrangements. They are classified as inventory and are included in the consolidated balance sheet at the lower of cost and net realisable value. Net realisable value is the expected net sales proceeds of the developed property in the ordinary course of business less the estimated costs to completion and associated selling costs. A provision is made to the extent that projected costs exceed projected revenues.

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

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

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

Leases

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

1. Accounting policies continued

Leases continued

Where the Group is the lessor, the Directors have considered the potential transfer of risks and rewards of ownership in accordance with IFRS 16 'Leases' and in their judgement have determined that all such leases are operating leases. Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease.

Property, plant and equipment

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

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

Freehold property	—	shorter of expected period to redevelopment and 2 per cent straight line
Leasehold improvements	—	shorter of term of the lease and 10 per cent straight line
Furniture and equipment	—	20–33 per cent straight line
Right of use asset	—	over the relevant lease period

Revenue recognition

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

Trading property sales

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

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

Revenue on construction contracts

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

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

Rental and other property income

Rental and other property income arising from property is accounted for under IFRS 16 and recognised on a straight line basis over the term of the lease. Lease incentives, including rent free periods and payments to tenants, are allocated to the consolidated statement of comprehensive income on a straight line basis over the lease term as a deduction from rental income.

1. Accounting policies continued

Revenue recognition continued

Hotel income

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

Project management fees and other income, including recoverable property expenses

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

Taxation

Current tax

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

Deferred tax

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

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

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

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

Under IAS 12 'Income Taxes', a deferred tax liability is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date as well as the timing difference resulting from capital allowance claims.

Deferred tax balances are not discounted.

Share-based payments

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

Employee Benefit Trust

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

Retirement benefits

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

Government grants

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

Dividends

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

1. Accounting policies continued

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

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

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

Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables

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

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

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

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

Trade and other payables

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

Borrowings

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

Borrowing costs

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

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

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

Critical accounting estimates and judgements

The preparation of financial 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.

1. Accounting policies continued

Critical accounting estimates and judgements continued

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

Accounting estimates

Valuation of investment and trading properties

For the purposes of calculating the fair value of its investment property portfolio and the net realisable value (and, for EPRA reporting purposes, the fair value) of its trading property portfolio, the Group uses valuations carried out by either independent valuers or the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuations are based upon assumptions including future rental income, sales prices and rates, estimates of typical profit margins and finance costs, anticipated maintenance costs, development costs, inflation forecasts and appropriate discount rates. Assumptions used in the valuations of the Group's significant investment property interests carried at valuation and trading properties valued for EPRA reporting purposes at 30 September 2020 are disclosed later in note 1. Details of the Group's trading properties that are measured at net realisable value are disclosed in note 15. The valuers and Directors also make reference to market evidence for comparable property transactions and principal inputs and assumptions.

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

Revenue

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

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

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

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

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

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

Cost of trading property sales

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

1. Accounting policies continued

Critical accounting estimates and judgements continued

Accounting estimates continued

Taxation

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve judgements about future events. The Directors have also exercised their judgement in relation to the recognition of certain deferred tax assets and liabilities. In order to assess whether the Group should recognise a deferred tax asset or liability and the tax rate at which that asset or liability should be measured, the Directors consider the timing and likelihood of expected future profits along with how these expected future profits match up with the existing tax losses within specific Group entities. The proportion of the Group's estimated available tax losses for deferred tax has been disclosed in note 14. The impact of a two per cent increase/decrease in the tax rate would change the net deferred tax liability by £0.6 million up or down at 30 September 2020.

Share-based payments

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

Judgements

Distinction between investment properties and trading properties

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

Property value assumptions

Significant unobservable inputs

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

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

Inter-relationship between significant unobservable inputs and fair value measurement

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

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

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

1. Accounting policies continued

Joint operations

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

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

2. Revenue and gross profit

for the year ended 30 September 2020

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

2. Revenue and gross profit continued
for the year ended 30 September 2019

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

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

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

3. Operating (loss)/profit

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

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

4. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

The three principal segments are Strategic Sites, land promotion and commercial property development. The Strategic Sites and land promotion segment includes serviced and unserviced land, consented and unconsented land and mixed-use development and promotion sites. The commercial segment includes city centre development and commercial regional developments. All of the Group's revenue is generated in the United Kingdom. In the prior year, Strategic Sites and land promotions were presented as one aggregated segment as permitted under IFRS 8 since they have similar economic characteristics. For the year ended 30 September 2020 we have disclosed information relating to Strategic Sites and land promotion sites separately as management consider the disaggregated information provides useful information to users.

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

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

Consolidated statement of comprehensive income
for the year ended 30 September 2020

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

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

4. Segmental information continued

Consolidated balance sheet
as at 30 September 2020

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

Consolidated statement of comprehensive income
for the year ended 30 September 2019

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

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

4. Segmental information continued

Consolidated balance sheet

as at 30 September 2019

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

5. Finance income and finance costs

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

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

6. Directors' remuneration

Details of the Directors' remuneration are given in the Directors' remuneration report on pages 98 to 117.

7. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	**Year ended 30 September 2020 £'000**	Year ended 30 September 2019 £'000
Wages and salaries (including discretionary bonus)	**9,697**	12,386
Employer's National Insurance contributions and similar taxes	**1,423**	1,783
Defined contribution pension cost	**795**	695
Share-based payment expense	**3,733**	3,955
Total staff costs (including Directors)	**15,648**	18,819
Amount capitalised to investment and trading properties	**(2,040)**	(3,301)
Amount included within operating (loss)/profit	**13,608**	15,518

	Year ended 30 September 2020 Number	Year ended 30 September 2019 Number
Average number of employees during the year (including Directors)	**96**	87

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

(a) Analysis of charge in the year

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

(b) Factors affecting the tax charge for the year

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

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

(c) Joint ventures

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

9. (Loss)/earnings per share

Basic (loss)/earnings per share

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

Diluted earnings per share

Due to the loss in the year the share options do not have a dilutive effect. In the prior year the calculation of diluted earnings per share was based on a profit of £12,629,000 and on 146,176,846 shares, being the weighted average number of shares in issue less own shares held and the dilutive impact of share options granted. 2,729,218 share options were not included in the calculation of diluted earnings per share because their exercise was contingent on the satisfaction of certain criteria that had not been met at 30 September. The total number of share options in issue is disclosed in note 24.

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

10. Dividends

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

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

11. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2018	86,918
Additions at cost	2,143
Disposals	—
Transfer to trading properties (note 15)	(41,915)
Surplus on revaluation	5,791
At 1 October 2019	52,937
Additions at cost	3,970
Disposals	(3,255)
Deficit on revaluation	(6,090)
Carrying value and portfolio valuation at 30 September 2020	**47,562**

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 2020, £2,653,000 (2019: £2,557,000) was recognised in the consolidated statement of comprehensive income in relation to rental and ancillary income from investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties that generated rental income amounted to £2,615,000 (2019: £2,059,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2019: £Nil).

(iv) Restrictions and obligations

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

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

(v) Historical cost and capitalisation

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

(vi) Transfer of properties in the prior year

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

(vii) Fair value measurement

The Group's investment properties are valued on a semi-annual basis by CBRE Limited (CBRE), an independent firm of chartered surveyors, on the basis of fair value. Where property assets are bifurcated between investment and trading properties, the Directors have allocated CBRE's valuation with reference to the nature of the properties in each classification. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Fair value represents the estimated amount that should be received for selling an investment property in an orderly transaction between market participants at the valuation date.

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

Valuation technique

Discounted cash flows: the valuation model for the Group's strategic land considers the present value of net cash flows to be generated from a property (reflecting the current approach of constructing the infrastructure and discharging the Section 106 cost obligations), taking into account expected land value growth rates, build cost inflation, absorption rates and general economic conditions. The expected net cash flows are discounted using risk-adjusted discount rates and the resultant value is benchmarked against transaction evidence.

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

12. Property, plant and equipment

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

13. Investments

Investments in joint ventures

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

13. Investments continued

Investments in joint ventures continued

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

Joint ventures		
SUE Developments LP	50%	Property development
Wintringham Partners LLP	33%	Property development
Manydown Development Vehicle LLP	25%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Manchester New Square LP	50%	Property development

Joint operations	
Waterbeach	Property development

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

All of the Group's interests in joint arrangements have their principal place of business in the UK. The registered offices and country of incorporation of the Joint Ventures are disclosed in note 9 of the notes to the Company financial statements on pages 168 and 169. Refer to note 1 for further details on the judgements used when recognising revenue for the joint ventures.

Summarised information on joint ventures 2020

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

SUE Developments LP holds the RadioStation Rugby site.

13. Investments continued

Investments in joint ventures continued

Summarised information on joint ventures 2019

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

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

A complete list of the Group's subsidiaries is included in note 9 of the notes to the Company financial statements on pages 168 and 169.

14. Deferred tax

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

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
At 1 October	**(5,944)**	(4,063)
Effect of adoption of IFRS 15	**—**	(656)
At 1 October as restated	**(5,944)**	(4,719)
Movement in the year (see note 8)	**82**	(1,225)
At 30 September	**(5,862)**	(5,944)

The deferred tax balances are made up as follows:

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

14. Deferred tax continued

At 30 September 2020, the Group had unused tax losses of £20,689,000 (2019: £20,513,000), of which £17,030,000 (2019: £15,089,000) has been recognised as a deferred tax asset. £3,284,000 (2019: £5,104,000) has been applied to reduce the Group's deferred tax liability recognised at the balance sheet date as required by IAS 12 'Income Taxes' in respect of tax potentially payable on the realisation of investment properties at fair value at the balance sheet date. No deferred tax asset is recognised in respect of realised or unrealised capital losses if there is uncertainty over future recoverability. Deferred tax assets are only recognised where there is a reasonable assumption of future profits.

Tax losses of £375,000 (2019: £320,000) have not been recognised as it is not considered sufficiently certain that there will be appropriate taxable profits available in the foreseeable future against which these losses can be utilised.

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

15. Trading properties

	Year ended 30 September 2020 £'000	Year ended 30 September 2019 £'000
At 1 October	**306,998**	273,770
Additions at cost	**42,220**	46,583
Costs written down	**(1,909)**	(730)
Disposals	**(34,941)**	(54,540)
Transfer to property, plant and equipment (note 12)	**(887)**	—
Transfer from investment properties (note 11)	**—**	41,915
Carrying value at 30 September	**311,481**	306,998

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

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

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

The carrying value of trading properties at 30 September 2020 includes £2,023,000 (2019: £2,266,000) measured at net realisable value. The remaining assets have been measured at cost. In arriving at their net realisable value assessments, the Directors have had regard to the current valuations of the properties (where relevant) and the future expected profitability of the asset.

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

16. Trade and other receivables

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

16. Trade and other receivables continued

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

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

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

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

Furthermore, the Group has considered the nature of the material aspects of trade receivables and contract assets and notes that these balances are primarily derived from contractual minimum payments and overages due from customer contracts which crystallise in the short to medium term, discounted at an appropriate rate. The Group maintains legal charges over the asset(s) disposed and, were there to exist potential credit losses going forward on any individual contract, the Group would have the ability to mitigate the risk of such losses through the enforcement of this security, the value of which is not considered to be materially lower than the related receivable. Brought forward contract assets amounted to £3.2 million. £1 million of contract assets have been received as cash in the year giving year-end contract assets of £2.2 million. Brought forward contract receivables (included within both current and non-current trade receivables) amounted to £52.4 million. Additional receivables of £4.2 million have been recognised in the year as revenues. £14.1 million of contract receivables have been received as cash in the year. £4.1 million of increases relate to the unwinding of discounts in the year giving year-end contract receivables of £46.6 million (included within both current and non-current trade receivables).

17. Trade and other payables

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

17. Trade and other payables continued

Current	At 30 September 2020 £'000	At 30 September 2019 £'000
Trade payables	**5,310**	10,751
Taxes and social security costs	**1,861**	4,896
Other payables	**5,076**	7,104
Finance lease liabilities	**378**	—
Accruals	**7,223**	11,350
Deferred income	**11,923**	1,614
	31,771	35,715

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

18. Borrowings

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

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

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

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

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 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.

19. Financial instruments continued

(b) Financial risk management

The Group's principal financial instruments at 30 September 2020 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 also detailed below.

(i) Interest rate risk

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

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

When necessary and considered appropriate, the Group borrows cash in the form of loans, which are usually subject to interest at floating rates. It is recognised that rates will fluctuate according to changes in LIBOR and the bank base or EC Reference Rate. The Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. However, at 30 September 2020 (and 2019), the Group had no interest rate swaps in place and therefore exposure to interest rate risk in respect of its financial liabilities relates to the cost of servicing its floating rate borrowings.

Market rate sensitivity analysis

The analysis below shows the sensitivity of the consolidated statement of comprehensive income and consolidated 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 2020 £'000**	At 30 September 2019 £'000
Interest on borrowings	**(729)**	(657)
Interest on cash deposits	**70**	122
Total impact on pre-tax profit and equity – loss	**(659)**	(535)

0.5 per cent decrease in interest rates	**At 30 September 2020 £'000**	At 30 September 2019 £'000
Interest on borrowings	**729**	657
Interest on cash deposits	**(70)**	(122)
Total impact on pre-tax profit and equity – gain	**659**	535

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2020 was as follows:

	Total £'000	**Floating rate financial assets £'000**	**Fixed rate financial assets £'000**	**Financial assets on which no interest is paid £'000**
Total financial assets	**171,549**	**12,940**	**1,125**	**157,484**

	Total £'000	**Floating rate financial liabilities £'000**	**Fixed rate financial liabilities £'000**	**Financial liabilities on which no interest is paid £'000**
Total financial liabilities	**175,412**	**145,847**	**—**	**29,565**

19. Financial instruments continued

(b) Financial risk management continued

(i) Interest rate risk continued

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2019 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is paid £'000
Total financial assets	174,374	19,729	4,712	149,933

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is paid £'000
Total financial liabilities	160,626	131,421	—	29,205

(ii) Credit risk

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

Cash deposits are placed with a range of banks to minimise the risk to the Group. Details are provided in the table set out below of the relevant financial institutions pooled by their respective Standard & Poor long-term credit ratings or Fitch long-term credit ratings where Standard & Poor ratings are unavailable. All ratings are of investment grade. The principal credit risk is therefore deemed to arise from trade and other receivables and loans advanced to joint ventures. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but there is no significant concentration of credit risk as no tenant accounts for more than 5 per cent of total revenue. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to mitigate against potential financial loss arising from defaults where considered necessary. Other receivables are predominantly due from housebuilders on the Priors Hall site, for which a track record of payments has been established. The Group's joint ventures are structured, with the assistance of professional advisers, in a way that provides the Group with maximum flexibility and security. There has been an immaterial impairment raised in the current year against Achadonn Limited (see note 13). 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 2020 are shown below. Included in cash is £993,000 that is restricted (2019: £1,943,000).

Financial institution	**Long-term credit rating**	**Cash at bank £'000**	**Short-term deposits £'000**	**Total £'000**
Bank of Scotland, ING Luxembourg, Nationwide	**A+**	**11,217**	**986**	**12,203**
Barclays, RBS	**A**	**1,646**	**139**	**1,785**
HSBC	**AA-**	**77**	**—**	**77**
		12,940	**1,125**	**14,065**

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2019 are shown below:

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
Bank of Scotland, ING Luxembourg, Nationwide	A+	19,078	63	19,141
Barclays, RBS	A	651	4,634	5,285
HSBC	AA-	—	15	15
		19,729	4,712	24,441

19. Financial instruments continued
(b) Financial risk management continued
(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 2020 (excluding £17,609,000 of liabilities repayable on demand) is presented below:

At 30 September 2020	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Other loan arranged in 2020	**Sterling**	**3.01%**	**2030**	**3,850**	**6,148**	**—**	**—**	**—**	**6,148**
Bank loan arranged in 2019	**Sterling**	**2.94%**	**2023**	**11,220**	**11,824**	**226**	**302**	**11,296**	**—**
Other loan arranged in 2019	**Sterling**	**4.75%**	**2022**	**8,249**	**9,066**	**—**	**—**	**9,066**	**—**
Other loan arranged in 2018	**Sterling**	**3.64%**	**2032**	**49,781**	**70,335**	**—**	**—**	**—**	**70,335**
Other loan arranged in 2018	**Sterling**	**3.40%**	**2028**	**1,984**	**2,484**	**67**	**67**	**200**	**2,150**
Other loan arranged in 2017	**Sterling**	**3.59%**	**2028**	**48,530**	**60,766**	**—**	**—**	**—**	**60,766**
Overdraft arranged in 2016	**Sterling**	**2.57%**	**2024**	**16,000**	**18,488**	**711**	**711**	**17,066**	**—**
Other loan arranged in 2015	**Sterling**	**2.71%**	**2021**	**6,233**	**6,318**	**6,318**	**—**	**—**	**—**
Total				**145,847**	**185,429**	**7,322**	**1,080**	**37,628**	**139,399**

At 30 September 2019	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Bank loan arranged in 2019	Sterling	3.28%	2021	11,220	12,543	374	12,169	—	—
Other loan arranged in 2019	Sterling	5.09%	2022	8,792	10,235	—	—	10,235	—
Other loan arranged in 2018	Sterling	3.34%	2032	37,056	47,428	—	—	—	47,428
Other loan arranged in 2018	Sterling	3.59%	2028	1,984	2,552	67	67	200	2,218
Other loan arranged in 2017	Sterling	3.59%	2028	45,229	61,299	—	—	—	61,299
Overdraft arranged in 2016	Sterling	3.27%	2024	16,900	20,692	844	842	19,006	—
Other loan arranged in 2015	Sterling	3.29%	2021	9,240	9,706	—	9,706	—	—
Total				130,421	164,455	1,285	22,784	29,441	110,945

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

	At 30 September 2020 £'000	At 30 September 2019 £'000
Expiring in less than one year	**—**	—
Expiring between one and five years	**24,676**	23,100
Expiring in greater than five years	**56,700**	13,594
	81,376	36,694

(c) Categories of financial assets and financial liabilities

The Group's financial assets carried at amortised cost amount to £163,468,000 (2019: £168,193,000) and comprise cash and cash equivalents, trade and other receivables and loans advanced to joint ventures. The Group's financial assets carried at fair value through profit and loss amount to £688,000 (2019: £2,163,000) and comprise other receivables. The Group's financial liabilities, all of which are financial liabilities at amortised cost, amount to £175,412,000 (2019: £160,626,000) and comprise bank loans, other loans, trade payables, other payables and accruals. At 30 September 2020 and 30 September 2019 the fair values of the Group's financial assets and liabilities were not materially different from their book values.

The maximum exposure to credit risk from the financial assets, excluding cash, is £157,484,000 (2019: £149,933,000).

20. Share capital

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

Movements in share capital in issue

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

21. Reserves

The movement on reserves in the year is set out in the consolidated statement of changes in equity on page 130.

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

- Share premium account: represents the excess of the value of shares issued over their nominal amount.
- Capital redemption reserve: represents the amount paid to purchase issued shares for cancellation at their nominal value.
- Own shares: represents the amount paid to purchase issued shares in connection with the employee share-based payment plan.
- Other reserve: represents a non-distributable capital reserve arising on the acquisition of subsidiary undertakings.

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

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

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

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

23. Contingent liabilities, capital commitments and guarantees

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

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

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

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 in accordance with the rules of the Performance Share Plan. Shares usually vest on the third anniversary of issue dependent on certain performance conditions having been met. In the year ended 30 September 2020, options over 1,723,250 shares (including 109,499 in place of dividends) were awarded to Directors and other participating staff (30 September 2019: 1,981,452 shares). The performance conditions attached to these awards are as follows:

- EPRA net asset value must increase by greater than 5.0 per cent (4.0 per cent for the 2019 awards) per annum for 25 per cent vesting and must increase by greater than 12.0 per cent (11.0 per cent for the 2019 awards) per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent (4.0 per cent for the 2019 awards) per annum and 12.0 per cent (11.0 per cent for the 2019 awards) per annum; and
- total shareholder return must increase by more than 5.0 per cent (4.0 per cent for the 2019 awards) per annum for 25 per cent vesting and must increase by more than 12.0 per cent (11.0 per cent for the 2019 awards) per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent (4.0 per cent for the 2019 awards) per annum and 12.0 per cent (11.0 per cent for the 2019 awards) per annum.

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

The performance conditions are for the awards granted in the period run from 1 October 2018 to 30 September 2021.

	Year ended 30 September 2020			
	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 2019	**6,162,336**	**0.00p**		
Awards lapsed	**(859,761)**	**0.00p**		
Awards exercised	**(742,214)**	**0.00p**		
Awards granted (date of grant: 6 December 2019)	**1,723,250**	**0.00p**	**139.00p–330.00p**	**330.00p**
Awards outstanding at 30 September 2020	**6,283,611**	**0.00p**		

	Year ended 30 September 2019			
	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 2018	5,176,038	1.00p		
Awards lapsed	(528,644)	0.00p		
Awards exercised	(466,510)	0.08p		
Awards granted (date of grant: 7 December 2018)	1,981,452	—	81.00p–266.00p	276.00p
Awards outstanding at 30 September 2019	6,162,336	0.00p		

The fair value of the awards in the year ended 30 September 2020 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: 330.00p grant date share price, nil exercise price, expected term of three years, nil per cent expected dividend yield, 20.96 or nil per cent expected volatility and 0.53 or nil per cent expected risk free interest rate.

The fair value of the awards in the year ended 30 September 2019 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: 276.00p grant date share price, nil exercise price, expected term of three years, 1.27 per cent expected dividend yield, 24.39 or nil per cent expected volatility and 0.74 or nil per cent expected risk free interest rate.

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

This value is charged to the consolidated statement of comprehensive income over the vesting period. The charge to the consolidated statement of comprehensive income for the year was £3,733,000 (2019: £3,955,000).

The weighted average share price on the date of the awards exercised in the year was 344p (2019: 304p).

24. Share-based payments continued

Employee Benefit Trust

	Number	Cost £'000
At 1 October 2018	1,769,935	4,748
Share purchase	252,104	755
Transferred to employees on share option exercises and deferred bonus share arrangements	(530,791)	(1,417)
At 1 October 2019	1,491,248	4,086
Share purchase	510,302	1,745
Transferred to employees on share option exercises and deferred bonus share arrangements	(819,527)	(2,246)
At 30 September 2020	**1,182,023**	**3,585**

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

On 30 September 2020 the Trust held 1,182,023 (2019: 1,491,248) ordinary shares of 20p each in Urban&Civic plc. The market value of these shares at 30 September 2020 was £2,494,000 (2019: £4,832,000).

25. Leases

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

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

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

	At 1 October 2019 £'000
Minimum operating lease commitment at 30 September 2019	**5,803**
Less low value leases not recognised under IFRS 16	**(277)**
Undiscounted lease payments	**5,526**
Less effect of discounting	**(1,231)**
Balance at 1 October 2019	**4,295**

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

Lease liabilities in the statement of financial position

Maturity analysis- contractual undiscounted cash flows

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

25. Leases continued

Amounts recognised in the income statement

	At 30 September 2020 £'000	At 30 September 2019 £'000
Interest on lease liabilities adopted	**156**	—
Depreciation on right of use asset	**389**	—
	545	—

Amounts recognised in the cash flow statement

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

Where the Group is the lessor, the future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

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

26. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel. The combined emoluments for the key management personnel (relating to the period they were a Director), based upon amounts included in the Group financial statements, are set out in the Directors' remuneration report on page 110.

The total compensation of key management personnel was £4,115,000 (2019: £4,718,000), which comprised short-term benefits of £1,946,000 (2019: £2,619,000), post-employment benefits of £174,000 (2019: £169,000) and share-based payments of £1,995,000 (2019: £1,930,000).

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

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

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

26. Related party transactions continued

Key management personnel continued

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

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

27. Cash flow information

Net debt reconciliation

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

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

28. Post Balance Sheet Events

Subsequent to the year-end Urban&Civic announced that it had reached agreement on the terms of a recommended cash offer by The Wellcome Trust Limited, as trustee of the Wellcome Trust, for the entire issued and to be issued share capital of the Company. Under these terms, the Company was valued at £506.8 million, equivalent to 345 pence per ordinary share.

as at 30 September 2020

	Notes	30 September 2020 £'000	30 September 2019 £'000
Fixed assets			
Investments	3	**467,280**	463,547
		467,280	463,547
Current assets			
Debtors due within one year	4	**45,500**	25,444
Cash at bank and in hand		**55**	57
		45,555	25,501
Creditors: amounts falling due within one year	5	**(184,419)**	(166,379)
Net current liabilities		**(138,864)**	(140,878)
Total assets less current liabilities		**328,416**	322,669
Capital and reserves			
Share capital	6	**29,036**	29,030
Share premium account		**169,268**	169,163
Capital redemption reserve		**849**	849
Own shares		**(3,585)**	(4,086)
Merger reserve		**97,025**	97,025
Retained earnings		**35,823**	30,688
Shareholders' funds		**328,416**	322,669

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 £7,223,000 (2019: £6,073,000) attributable to the Company. At 30 September 2020, the balance of £15,608,000 (2019: £15,783,000) in retained earnings represents distributable reserves.

The financial statements were approved by the Board and authorised for issue on 4 December 2020 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 165 to 169 form part of these parent company financial statements.

Registered in Scotland No. SC149799

for the year ended 30 September 2020

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2018	29,009	168,881	849	(4,748)	97,025	27,402	318,418
Shares issued under scrip dividend scheme	21	282	—	—	—	—	303
Share option exercise satisfied out of own shares	—	—	—	1,417	—	(1,577)	(160)
Purchase of own shares	—	—	—	(755)	—	—	(755)
Share-based payment expense	—	—	—	—	—	3,955	3,955
Total comprehensive income for the year	—	—	—	—	—	6,073	6,073
Dividends paid	—	—	—	—	—	(5,165)	(5,165)
Balance at 30 September 2019	29,030	169,163	849	(4,086)	97,025	30,688	322,669
Shares issued under scrip dividend scheme	6	105	—	—	—	—	111
Share option exercise satisfied out of own shares	—	—	—	2,246	—	(2,230)	16
Purchase of own shares	—	—	—	(1,745)	—	—	(1,745)
Share-based payment expense	—	—	—	—	—	3,733	3,733
Total comprehensive loss for the year	—	—	—	—	—	7,223	7,223
Dividends paid	—	—	—	—	—	(3,591)	(3,591)
Balance at 30 September 2020	**29,036**	**169,268**	**849**	**(3,585)**	**97,025**	**35,823**	**328,416**

1. Accounting policies

Accounting convention

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

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

- no cash flow statement is presented. A consolidated cash flow statement is presented on page 131 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.

Share-based payments

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

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

Employee Benefit Trust

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

Investments

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

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

Dividends

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

Financial instruments

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

Trade and other debtors

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

Financial liabilities

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

2. Directors' and auditor's remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on pages 98 to 117. 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 141.

There are no employees other than the Directors who are remunerated by a fellow Group company. The Directors are considered to be the Company's key management personnel.

3. Investments

	£'000
Cost	
At 1 October 2019	489,685
Additions	—
Capital contribution on the granting of share scheme options to employees of subsidiaries	3,733
At 30 September 2020	**493,418**
Amounts written off	
At 1 October 2019	26,138
Impairment charge	—
At 30 September 2020	**26,138**
Net book value	
At 30 September 2020	**467,280**
At 30 September 2019	463,547

A complete list of the Company's subsidiaries is included in note 9 of these Company financial statements.

4. Debtors

	At 30 September 2020 £'000	At 30 September 2019 £'000
Amounts due within one year:		
Trade debtors	**—**	106
Other debtors	**35**	46
Amounts due from subsidiaries	**45,465**	25,292
	45,500	25,444

5. Creditors

	At 30 September 2020 £'000	At 30 September 2019 £'000
Amounts due within one year:		
Trade creditors	**105**	31
Amounts due to subsidiaries	**167,929**	149,164
Bank overdraft	**15,545**	16,321
Other creditors	**100**	100
Accruals and deferred income	**740**	763
	184,419	166,379

6. Share capital

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

Movements in ordinary share capital in issue

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

The Company's merger reserve represents the excess over the nominal value of shares issued to acquire shares in a subsidiary undertaking when the conditions to qualify for merger relief have not been met.

The Company's share scheme reserve represents the cumulative amount of share-based payment awards made to employees of subsidiary undertakings.

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

7. Share-based payments

The Company operates an equity-settled share-based payment scheme for all Executive Directors and certain employees of the Group. Details of the options granted under the scheme and the options outstanding at the balance sheet date are given in note 24 to the Group financial statements. On the basis that all awards made relate to employees of subsidiaries, this value is recognised as a capital contribution to those subsidiaries over the vesting period and is added to the cost of the relevant investment. The total capital contribution for the year was £3,733,000 (2019: £3,955,000).

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.

8. Contingent liabilities and guarantees

The Company has given guarantees totalling £112,709,000 (2019: £69,153,000) as part of the Group's obligations.

9. Subsidiary undertakings

At 30 September 2020 the subsidiaries, joint ventures and associates held directly or indirectly by the Company were as follows:

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Achadonn Properties Limited[6]	50%	Property development
Altira Park JV LLP[1]	50%	Property development
Alconbury Weald Estate Management Company Limited[1]	100%	Property management
AW Management Company (KP1C) Limited[1]	100%	Property management
AW Management Company (KP1R) Limited[1]	100%	Property management
Catesby Development Land Limited[2]	100%	Property development
Catesby Estates (Developments) Limited[2]	100%	Property development
Catesby Estates (Developments II) Limited[2]	100%	Property development
Catesby Estates (Grange Road) Limited[3]	100%	Property development
Catesby Estates (Hawton) Limited[3]	100%	Property development
Catesby Estates (Newark) Limited[3]	100%	Property development
Catesby Estates (Residential) Limited[3]	100%	Property development
Catesby Estates plc[3]	100%	Property development
Catesby Estates Promotions Limited[2]	100%	Property development
Catesby Land and Planning Limited[2]	100%	Property development
Catesby Land Limited[3]	100%	Property development
Catesby Land Promotions Limited[2]	100%	Property development
Catesby Promotions Limited[2]	100%	Property development
Catesby Strategic Land Limited[3]	100%	Management and administration
Greyhound Inn Developments Limited[3]	100%	Property development
Manchester New Square (General Partner) Limited[1]	50%	Property development
Manchester New Square Limited Partnership[1]	50%	Property development
Manchester New Square Nominee Limited	50%	Holding company
Manydown Development Vehicle LLP[1]	25%	Property development
Manydown Investco LLP[1]	51%	Investment holding company
Newark Commercial Limited[3]	100%	Property development
Priors Hall Park Management Company[1]	100%	Property management
SUE Developments LP[5]	50%	Property development
SUE GP LLP[5]	50%	Property development
SUE GP Nominee Limited	50%	Holding 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 (Herne Bay) 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
Urban&Civic (Bradford) Limited[1]	100%	Property development
Urban&Civic (Management) Limited[2]	100%	Management and administration
Urban&Civic (Property Investment No 1) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 2) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 3) Limited[2]	100%	Property investment
Urban&Civic (Secretaries) Limited[2]	100%	Administration
Urban&Civic Alconbury Limited[1]	100%	Property investment and development
Urban&Civic Alconbury S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Armadale No. [1] Limited[2]	100%	Property development
Urban&Civic Bishop Auckland Limited[1]	100%	Property development
Urban&Civic Buckingham Limited	100%	Property development

9. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban&Civic Central Funding Limited[1]	100%	Investment holding company and property development
Urban&Civic Central Scotland Limited[2]	100%	Property development
Urban&Civic Corby Limited[1]	100%	Property development
Urban&Civic Deansgate Limited[1]	100%	Property development
Urban&Civic Developments Limited[1]	100%	Property development
Urban&Civic Feethams Limited[1]	100%	Property investment and development
Urban&Civic Foodstores Company Limited[1]	100%	Investment holding company
Urban&Civic Galashiels No.2 Limited[1]	100%	Property development
Urban&Civic Group Limited[1]	100%	Investment holding company and property development
Urban&Civic Holdings S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Houghton Le Spring Limited[1]	100%	Property development
Urban&Civic Howick Place Investments Limited[1]	100%	Investment holding company
Urban&Civic Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Jobs and Skills Limited[1]	100%	Property development
Urban&Civic (Manchester New Square) Limited[1]	100%	Property development
Urban&Civic Manydown 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 Miscellaneous Properties Limited[1]	100%	Property development
Urban&Civic Molesworth Limited[1]	100%	Property development
Urban&Civic North East Limited[1]	100%	Investment holding company and property development
Urban&Civic Northam Limited[1]	100%	Property development
Urban&Civic Penzance Limited[1]	100%	Property development
Urban&Civic Princess Street Limited[1]	100%	Property development
Urban&Civic Projects Limited[1]	100%	Project co-ordination and management services
Urban&Civic Property Developments Limited[1]	100%	Investment holding company
Urban&Civic Property Developments No1 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 Resolution Limited[1]	100%	Property development
Urban&Civic Rugby Limited[1]	100%	Property development
Urban&Civic Rugby (Member) Limited[1]	100%	Property development
Urban&Civic Sandy Limited[1]	100%	Property development
Urban&Civic Stokesley Limited[1]	100%	Property development
Urban&Civic St Neots Limited[1]	100%	Property development
Urban&Civic Tunbridge Wells Limited[1]	100%	Property development
Urban&Civic Tyttenhanger Limited[1]	100%	Property development
Urban&Civic UK Limited[1]	100%	Management and administration
Urban&Civic Victoria Street Limited[1]	100%	Property development
Urban&Civic Waterbeach Limited[1]	100%	Property investment and development
Urban&Civic Westview Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Wolverhampton Limited[1]	100%	Property development
Wintringham Partners LLP[1]	33%	Property development

1. Registered address: 50 New Bond Street, London W1S 1BJ.
2. Registered address: 115 George Street, Edinburgh EH2 4JN.
3. Registered address: Catesby House, 5b Tournament Court, Edgehill Drive, Warwick, Warwickshire CV34 6LG.
4. Registered address: 40 Avenue Monterey, L-2163, Luxembourg.
5. Registered address: St Helen's, 1 Undershaft, London EC3P 3DQ.
6. Registered address: Netherton, Langbank, Port Glasgow, Renfrewshire PA14 6YG.

GHG emissions

We measure and report our greenhouse gas emissions (GHG) across our entire portfolio. This annual declaration is made in accordance with the Companies Act 2006 (Strategic Report and Directors Report) Regulations 2013 and is summarised below for the financial year 2019/2020 and in comparison, to the previous year's declarations.

	Reporting year end 30/09/20 CO_2e tonnes	Reporting year end 30/09/19 CO_2e tonnes	Reporting year end 30/09/18 CO_2e tonnes	Reporting year end 30/09/17 CO_2e tonnes	Reporting year end 30/09/16 CO_2e tonnes	Reporting year end 30/09/15 CO_2e tonnes
Emission source						
Combustion of fuel and operation of facilities	**896**	1,141	1,136	1,068	864	708
Electricity, heat, steam and cooling purchased for own use	**1,390**	1,727	1,707	1,971	1,879	2,046
Total CO_2e tonnes	**2,266**	2,868	2,843	3,039	2,743	2,754
Financial turnover £k	**£57,241k**	£102,114k	£150,398k	£60,333k	£95,168k	£55,478k
Intensity ratio: CO_2e tonnes/turnover £k	**0.0396**	0.0281	0.0189	0.0504	0.0288	0.0496
Intensity ratio: CO_2e kg/turnover £k	**39.58**	28.09	18.90	50.37	28.82	49.64
Intensity ratio: CO_2e kg/turnover yearly % change	**+40.9%**	+48.6%	(62.5)%	+74.8%	(41.9)%	+113.1%

The following methodologies have been used to calculate the above CO_2e emissions:

- The Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition)
- The Department of Environment, Food and Rural Affairs (DEFRA) Environmental Reporting Guidelines (2019)

All the reported CO_2e emissions for quoted companies have come from the sources identified in the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within Urban&Civic plc's consolidated financial statement. These represent the scope 1 and scope 2 emissions from all assets under the Group's operational control.

Carbon emissions produced from assets that are not owned by Urban&Civic plc and where they are acting under a development management agreement for the asset development, are deemed the responsibility of their client and have therefore been excluded from this assessment. The assets will be included when the land is drawn down under that agreement in future periods.

Our overall carbon emissions were calculated to be 2,266 CO_2e tonnes for the financial year 2019/2020, a reduction of 21% on the previous year. The carbon turnover metric intensity ratio showed an increase of 40.9% when compared with last year's findings, primarily due to a turnover reduction of 43.9%, consistent with the exceptional circumstances of this year.

Whilst progress has been made at Alconbury this year in decommissioning some of the historic electricity asset circuits on site, almost 75% of the carbon emissions for this year remain attributable to the Alconbury and Deansgate, Manchester sites. The Alconbury transformer consolidation strategy has so far generated a carbon saving of 130 CO_2e tonnes and 277 CO_2e tonnes has been saved by the Deansgate Hotel, Manchester since becoming non-operational in March.

Due to the Covid-19 pandemic, office occupancy was notably reduced making it difficult to quantify the carbon savings generated from all implemented initiatives. However, even with these constraints a significant focus was still placed on the largest energy consuming sites namely Alconbury and Deansgate Hotel, Manchester and carbon savings have been realised.

The Alconbury site continues to be redeveloped into a variety of commercial and residential properties. This former MOD site currently utilises a legacy electricity network which is being systematically decommissioned to reduce transformer losses. During this financial year we further removed five substations and 1150m cabling from the HV system, with further removal of other obsolete ancillary buildings and substations planned for 2021.

The number of energy supplies to the wider business has significantly increased when compared to previous years and we recognise that the manner in which our energy is procured for our expanding business needs to be more regimented and better focused on green tariffs. An energy management portal will be introduced to capture and catalogue energy data throughout the year and monitor carbon usage.

Our stated recommendations for the current year are:

- site vehicles becoming hybrid/electric;
- decommissioning of further substations and power loss cables at Alconbury;
- decommission and reconnection of new 11kv network to MOD at Alconbury;
- disposal/redevelopment of assets related to poor carbon; and emission performance;
- changing all electrical shippers to green tariff provider; and
- introduction of an Energy Management Portal.

We have specifically considered GHG emissions as part of our sustainability metrics and our commentary on this is set out on page 48.

AGM	Annual General Meeting
Catesby/Catesby Estates plc	Catesby Estates plc and subsidiaries, joint ventures and associates
CDC or Commercial Development Committee	A subcommittee of senior staff responsible for the delivery of commercial sites. Periodic meetings are held to facilitate cross site collaboration, risk management, problem solving and lessons learnt reviews
Commercial	One of the Group's business segments that focuses on bespoke City Centre developments targeting shorter-term and de-risked returns
Company	Urban&Civic plc
Defence Infrastructure Organisation (DIO)	The estate expert for the Ministry of Defence, supporting the armed forces to enable military capability by planning, building, maintaining, and servicing infrastructure
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT	Urban&Civic Employment Benefit Trust
EC Reference Rate	European Commission Reference Rate
Employment land/plots	Land and parcels of land upon which a variety of commercial uses will be delivered in accordance with a planning consent
EPRA	European Public Real Estate Association
EPRA net asset value (EPRA NAV)	Net assets attributable to equity shareholders of the Company, adjusted for the revaluation surpluses on trading properties and eliminating any deferred taxation liability for revaluation surpluses
EPRA net gearing	Total debt less cash and cash equivalents divided by EPRA net asset value
EPRA triple net asset value (EPRA NNNAV)	EPRA net asset value adjusted to include deferred tax on property valuations and capital allowances
Environmental, Social and Corporate Governance (ESG)	The three central factors in measuring the sustainability and societal impact of investment
Estimated rental value (ERV)	Open market rental value that could reasonably be expected to be obtained for a new letting or rent review at a particular point in time
Fair value	The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measurable date (i.e. an exit price)
FRC	Financial Reporting Council
FRS 102	Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'
Gearing	Group borrowings as a proportion of net asset value
HBF	Home Builders Federation
Homes England	Homes England is Homes and Communities Agency (HCA as it was formerly known)
Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Initial yield	Annualised net rent as a proportion of property value
ISA	International Standards on Auditing
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board as capable of measurement and are used to evaluate Group performance
LADs	Liquidated ascertained damages
LAP	Local Area for Play
Large site discount	Represents the difference between the unserviced land values ascribed by CBRE strategic site valuations (which take into account site scale and build-out duration among other matters) and the current retail prices being achieved on smaller parcel sales

LEAP	Local Equipped Area for Play
LEP	Local Enterprise Partnership
Licences	Agreements entered into with housebuilders, which typically comprise a fixed element (the minimums) due to the Group upon reaching unconditional exchange and a variable element (the overage) which is dependent on the final selling price of the house
Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
Look-through gearing	Gearing including the Group's balance sheet attributable to the owners of the Company
LTV	Loan to value
MHCLG	Ministry of Housing, Communities and Local Government
Minimums	Contractual right to receive a minimum plot value in respect of a minimum number of plots each year. These minimums are payable on a look-back basis if minimum sales are not achieved
NEAP	Neighbourhood Equipped Area for Play
NSC or New Situations Committee	A subcommittee that functions on the same basis as the CDC, but reviews the Group's new or pipeline Strategic Sites
MOD	Ministry of Defence
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
Net gearing	Total debt less cash and cash equivalents divided by net assets
NPPF	National Planning Policy Framework
Overage	Variable consideration which applies an agreed percentage to the house sales price and then nets off any minimum already paid. No overage is payable where minimums are not achieved
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
PSP	Performance Share Plan
Resolution to Grant (planning consent)	Where a Local Authority planning committee resolves to grant planning permission subject to the completion of a planning agreement (such as a Section 106 agreement)
Return on Capital Employed (ROCE)	A financial ratio that measures how well a company is generating profits from its capital
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences
Section 106 agreement	Planning obligations under Section 106 of the Town and Country Planning Act. These obligations focus on mitigating site specific impacts of development and include, by way of example, developer contributions to schools and/or highways
SDC or Strategic Development Committee	A subcommittee that functions on the same basis as the CDC, but reviews the Group's Strategic Sites
SDLT	Stamp Duty Land Tax
SME	Small and medium sized enterprises (in this instance referencing small scale and regional housebuilders)
STEM	A multi-year programme of activities and support for young people to help them discover Science, Technology Engineering and Mathematics subjects and aid their progression to university
Subcommittees	SDC, CDC and Catesby
Terrace Hill Group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total NAV return	The growth in EPRA NAV per share plus dividends paid, expressed as a percentage of EPRA NAV per share at the beginning of the period
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
WACC	Weighted average cost of capital

Key contacts and advisers

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Registered number: SC149799

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Company Secretary
Heather Williams FCIS

Independent auditor
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Registrars
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The Courtyard
17 West Street
Farnham
Surrey GU9 7DR
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Email: enquiries@shareregistrars.uk.com

Dividend Re-Investment Scheme (DRIS)

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

Shareholder fraud

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

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

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

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Urban&Civic plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Arcoprint, an FSC® certified material. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

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Strategic land promotion
Planning: applica
Alconbury Weald Make|Grow
Make|Shed
New allotment shed in progress
Catesby
Urban&Civic
EDGE
Sharper skills for enterprise
WINTRINGHAM PRIMARY ACADEMY
Ermine Street Church Academy
Alconbury Weald Make|Grow
Communities
Wintringham St Neots
Hybrid Planning Application Submission Pack October 2017