Urban&Civic plc

Annual Report and Accounts 2019

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 values

- Quality
- Integrity
- Passion
- Partnership
- Innovation

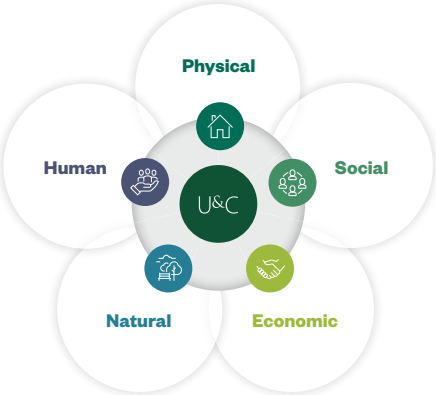
Read more in our Chairman's statement page 14

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 place making 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.

Read more in our CEO's statement page 16

Our sustainability capitals



Read more in our sustainability report on page 48

Master Developer differential

Through our new and interactive website we have sought to answer some of the most frequent questions about the Master Developer differential:

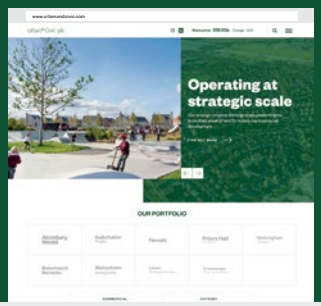
Why a Master Developer is needed?

What makes a Master Developer?

How a Master Developer adds value?

Who does a Master Developer work with?

Experience our new website
www.urbanandcivic.com



From our earliest days, Urban&Civic has always sought to do things right.

S Strategic report

G Governance

F Financial statements

Cover image: One of the network of ecology corridors which run through Houlton, Rugby. These corridors not only provide excellent habitat for protected species but also contain pathways, benches, ecological information and extensive green infrastructure for everyone to enjoy.

Strategic report

Nature pathway through Key
Phase 1 Alconbury Weald

Our business at a glance

Who we are

We are now 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 including financing, land assembly, planning, project management, development and estate management. We also have smaller dedicated teams focusing on shorter-term commercial developments and smaller scale land promotion.

Read more in the Company's business model page 8

What we do

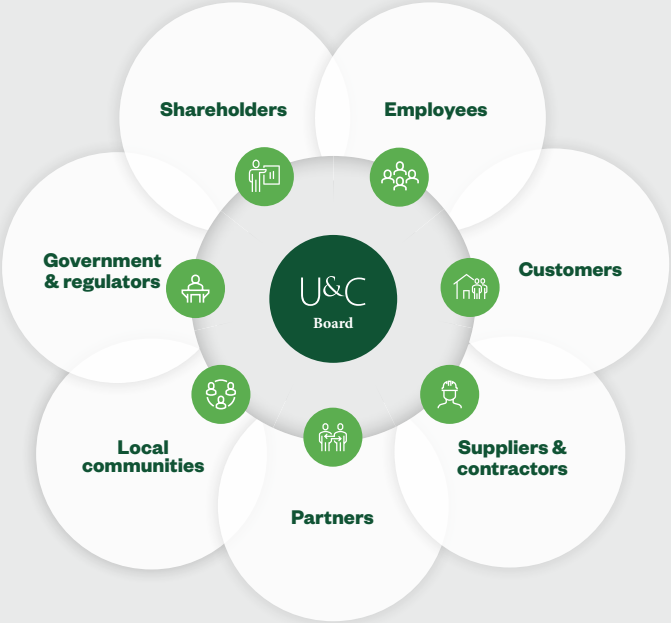
At the core of our business are the nine strategic sites where we are currently bringing forward, either directly or in partnership, over 8,949 acres of land predominantly within 100 miles of London. As Master Developer, we take responsibility for obtaining planning and delivering the sustainable green, grey and community infrastructure to establish high quality places within which we market fully serviced land parcels to housebuilders. We also ensure that the scale and longevity of our investment benefits local communities through opportunities, partnerships, jobs and training. Our commercial developments and smaller scale land promotion are respectively delivering investments in strong markets and housing in locations of proven need.

Read more on our Master Developer product page 6

Who we work with

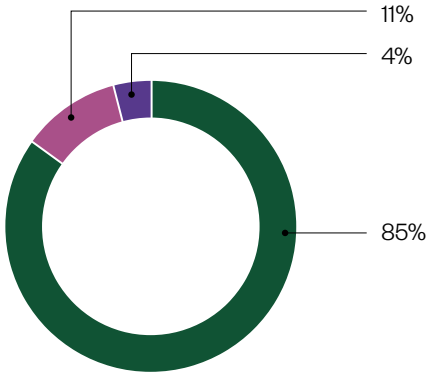
Working in partnership with a wide variety of stakeholders is at the heart of successfully delivering strategic sites. Our customers are the increasingly diverse housebuilder market and we have partnerships with landowners who share our aspirations for legacy quality, long term developer relationships with planning and highway authorities and strong bonds of community with local people and groups. These stakeholder relationships are detailed throughout this report and we take pride in being a trusted partner at all levels.

Read more in our governance report pages 80 and 81



Our portfolio

Portfolio value by segment



- Strategic sites
- Commercial
- Catesby

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

9

Homes consented and submitted

33,500

Alconbury Weald

RadioStation Rugby

Middlebeck Newark

Priors Hall Northamptonshire

Waterbeach Barracks

Wintringham St Neots

Manydown Basingstoke

Calvert Buckinghamshire

Tyttenhanger South Hertfordshire

Read more in our operating review pages 44 and 45

Commercial

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

No. of sites

6

Total square footage

797,000

Catesby

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

No. of sites

65

Total acres

2,147

Read more in our operating review pages 46 and 47

Master Developer product

What is a serviced land parcel?

Urban&Civic convert 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.

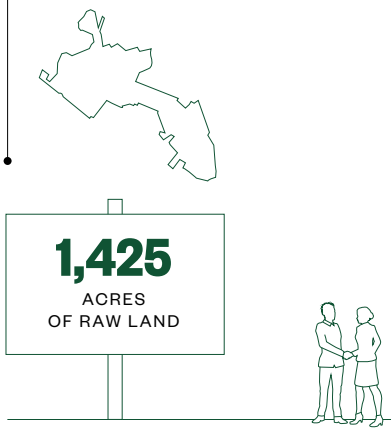
We de-risk land acquisition and planning, deliver a highly sustainable green and grey infrastructure framework, take responsibility for community facilities, community relationships and place making and thereby create a serviced land product in prime locations which allows housebuilders to do what they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

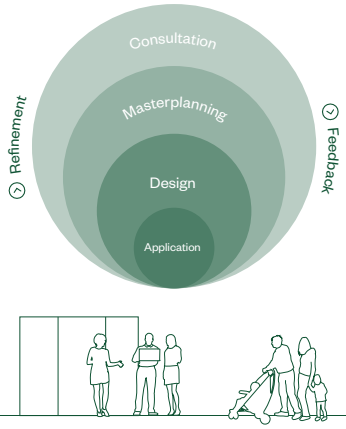
The predominance of our serviced land contracts established a low upfront capital option for housebuilders whilst allowing Urban&Civic to share in the proceeds of every home sold as well as guaranteeing us an established forward income stream. This structure is attractive to all sizes of house builder as well as new types of housing delivery vehicles entering the market.

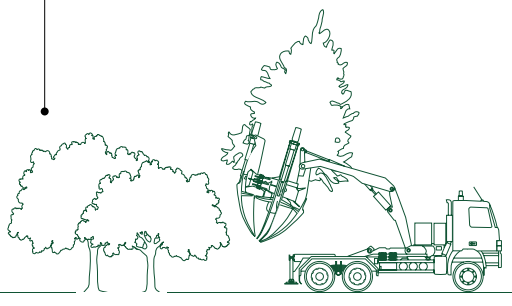
All housebuilders on Urban&Civic serviced parcels also benefit from highly professional and impartial site management and security, established and innovative jobs and skills programmes, meaningful community engagement opportunities, site wide marketing and a consistent and repeatable contractual offer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

Master Developer:

Raw land	Planning	Delivery
Large blocks of land acquired directly or through partnerships	Application of a flexible and innovative planning structure	**Green infrastructure** Early delivery of a significant and sustainable green infrastructure framework







Adding value at every stage

Land	**£**	**££**

In summary:

1. Urban&Civic create the serviced land parcels...

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

Off Parcel

- Site wide quality
- Established green infrastructure
- Site wide place making 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
- Full utility provision
- Design code
- Oven ready land quality
- Health & safety framework

Housebuilders & businesses:

Serviced land

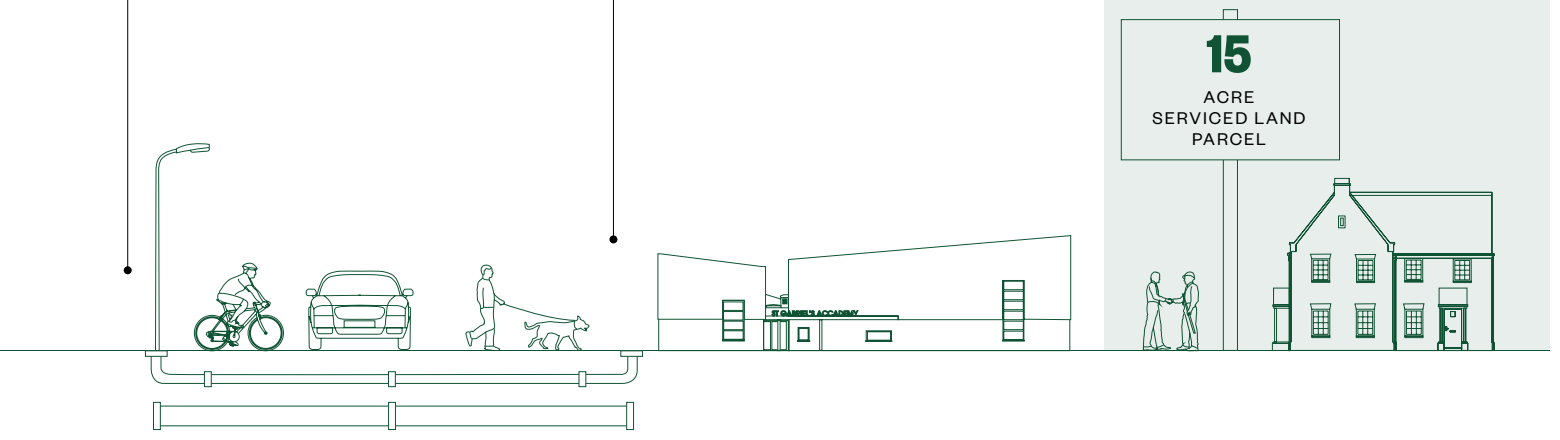
Housebuilders add the homes, businesses add the commercial spaces

Grey infrastructure

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

Community infrastructure

Establishing quality via the delivery of community facilities



£££ | £££££

Cash

2. ...our customers add the homes and commercial spaces...

3. ...and their customers and employees help create the community.

U&C business model

Over the last ten years we have established a highly professional and scalable business model to become the market leader in taking large scale blocks of raw land and transforming them into high quality, sustainable neighbourhoods and communities within which a wide range of housebuilders wish to acquire and build out serviced land parcels and people want to live. By doing this right we have established a strong reputation and a strong competitive advantage.

Key resources

Land
Large scale unbroken blocks of land within 100 miles of London from land owners who share our focus on legacy quality is the essential foundation of our Master Developer model with smaller scale sites targeted by our Commercial and Catesby businesses.

Employees
Our team of experts are based centrally and across our projects providing strength throughout all elements of acquisition, funding, planning, development, project management and estate management.

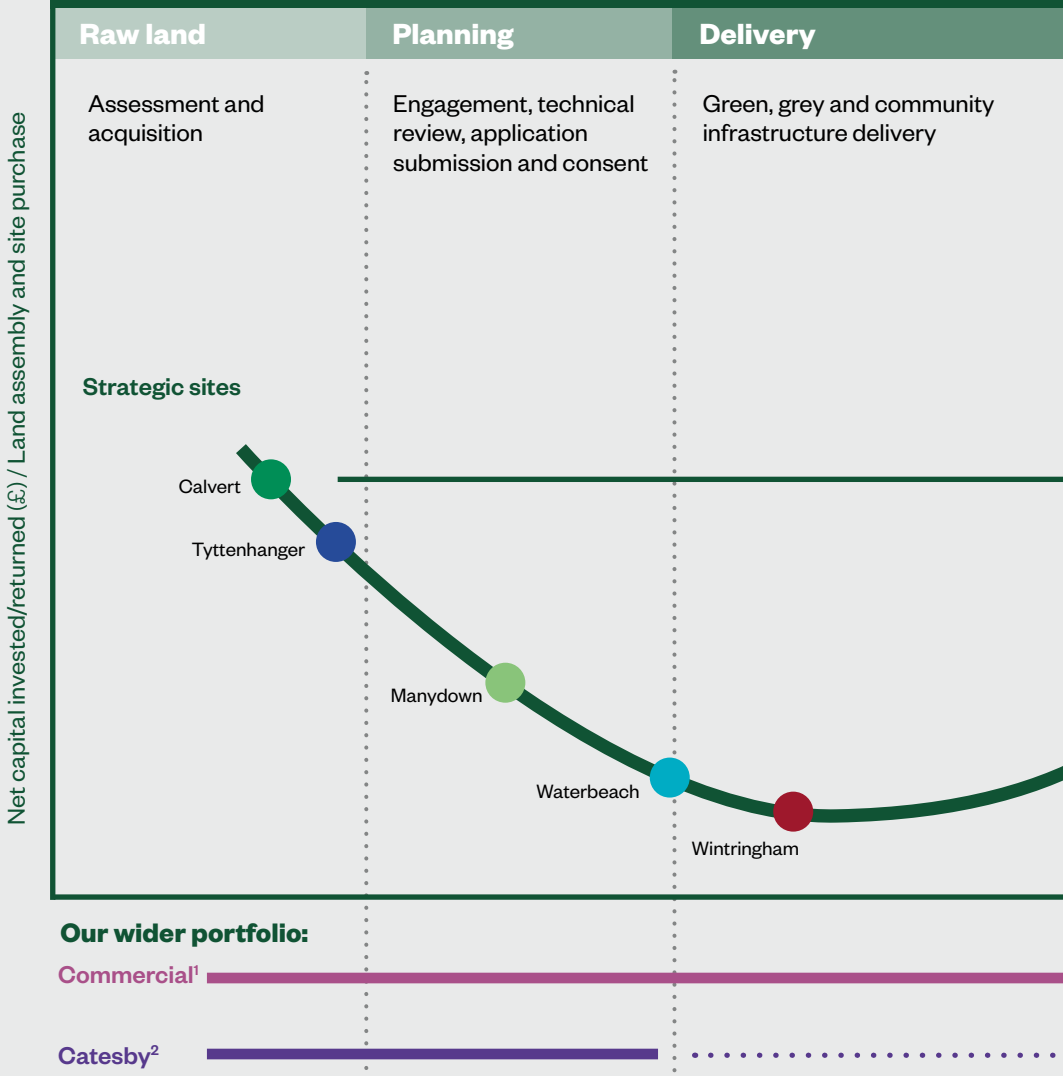
Funding
Our Strategic Sites are underpinned by equity investment and long dated acceleration funding provided by Homes England. Shorter term development finance or forward funding is sourced for commercial projects with Catesby funded by equity.

Partners
Large scale sites require long term trusted partnerships with a wide range of stakeholders. Reputations and trust are hard earned and where present mean that projects progress quicker and with fewer challenges.

Leadership
We are passionate about what we do and not prepared to accept the status quo if there is a better, more efficient, more inclusive and more sustainable way of doing things. We are proud to be judged by both the quality of our projects and the support we earn throughout their delivery.

Our strategic site portfolio:

Raw land	Planning	Delivery
Assessment and acquisition	Engagement, technical review, application submission and consent	Green, grey and community infrastructure delivery



Our key stakeholders for each stage:

Raw land	Planning	Delivery
• Partners • Local authorities	• Communities • Local authorities • Advisers • Employees	• Contractors • Employees • Communities • Government

Reinvestment and reputation

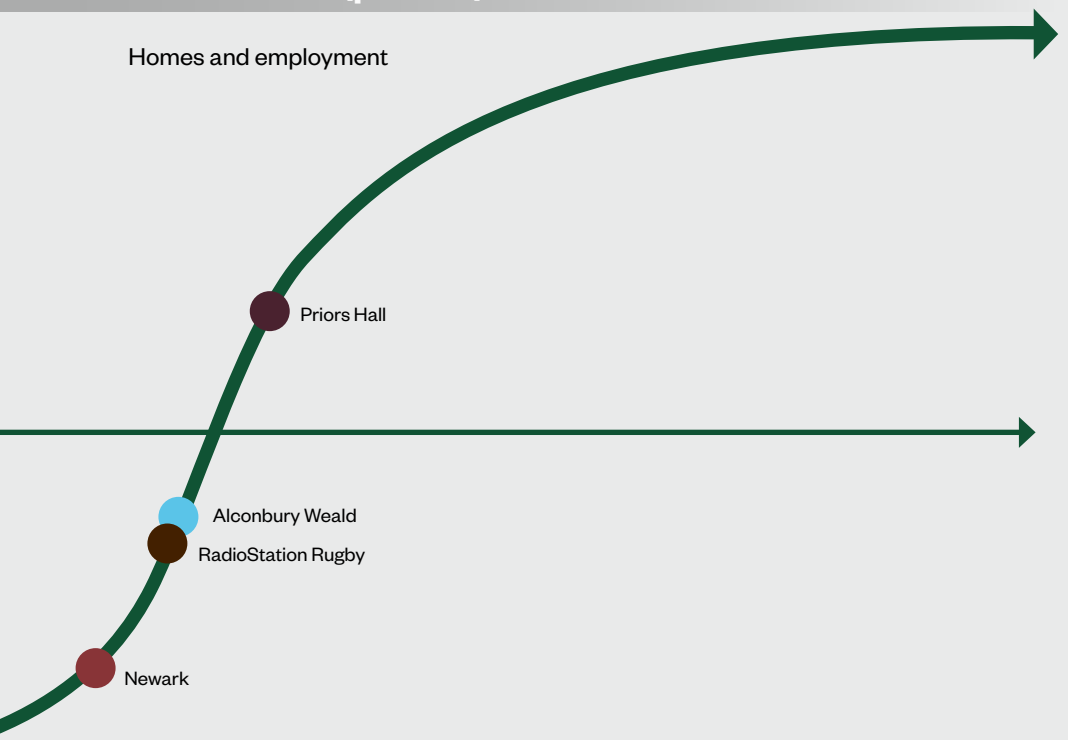
Reinvestment and reputation

Underpinned by our:

Values	Quality	Integrity	Passion
Sustainability capitals	Physical	Social	Economic

Serviced land (product)

Homes and employment



1. Commercial projects will generally be delivered and sold. See page 46

2. Catesby sites are generally promoted though planning and sold with some extending into the infrastructure delivery phase. See page 47

Returns

We are focused on delivering shareholder and stakeholder returns across a range of financial and non financial metrics.

Contracted minimum receipts
£101.7m

Plot completions
665 plots

Cash generation from plot completions
£42.4m
(U&C share: £34.3m)

Dividends
3.9p

Land remediated
154ha

Trees planted
136,608

Cycle lanes delivered
28,340m

- Housebuilders
- Businesses
- Partners
- Local authorities
- Communities
- Employees

Government & regulators
Employees
Partners
Suppliers & contractors
Local communities
Shareholders
Customers

Read more on our stakeholder engagement on pages 80 and 81

Reinvestment and reputation

Reinvestment and reputation

Partnership
Innovation

Read more on our values on page 14

Natural
Human

Read more on our approach to sustainability on page 48

Strategic objectives

To maximise our competitive advantage and further leverage our scalable business model we have and will focus on the following:

Market overview

Measures to boost housing supply remain effective with MHCLG recently announcing a seventh consecutive year of growth in net additional dwellings for England, an increase of over 241,000 in the year to March 2019. Detailed planning consent reached 367,000 in the same period.

New build completions of 214,000 account for the majority of net additions with change of use a smaller but meaningful contribution to overall delivery and achievement of the government's targeted 300,000 net additions by the mid-2020s. Significant shortfall against targets has become limited to London, the South East and parts of East of England.

The utilisation of Help to Buy continues to grow year-on-year, accounting for near one in four new build transactions in the year to March 2019 (52,000). With over 80 per cent of all current Help to Buy users being first time buyers, the expectation is that the scheme, having been extended to 2023, will remain an important factor in creating effective demand over that period, particularly for houses over apartments.

Read more about our markets in the CEO review page 16

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 2019:

- We have entered into agreements with the Tyttenhanger Estate representing over 2,000 acres of land predominantly to the immediate north of junction 22 to the M25. Tyttenhanger as a green belt site will need to be promoted through Hertsmere Borough Council's local plan process which is ongoing.
- Outline planning permission was granted by South Cambridgeshire District Council for 6,500 new homes and associated employment, transport, educational, health and community uses over the former Waterbeach Barracks site on the outskirts of Cambridge.

Objectives for 2020:

- Secure an additional strategic site from a number of active negotiations.
- Progress Tyttenhanger through Hertsmere's Local Plan Process.
- Complete agreements 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.
- Achieve outline planning permission for Manydown and revised Zone 2 and 3 outline planning permission at Priors Hall, Corby.

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 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 2019:

- Homes England has credit approval to commit an additional £60.6 million of funding for Waterbeach alongside the infrastructure funding already provided for Wintringham, Alconbury, Houlton, Middlebeck and Priors Hall, of which we have a total drawn of £123.9 million.
- The link road at Houlton opened in November with Redrow's show home leading the second front of sales and work has commenced on the conversion of the listed C-Station building into the heart of the c.1,000 pupil secondary school with acceleration funding identified from the Department for Education.
- Significant infrastructure delivery has been undertaken at Wintringham allowing two housebuilders, Cala and Morris, to actively commence alongside the construction of the first primary school by Cambridgeshire County Council.

Objectives for 2020:

- Achieve approval of Phase 1 and reserved matters for the early green and grey infrastructure at Waterbeach and commence infrastructure delivery.
- Achieve additional serviced land parcel releases to housebuilders at Houlton, Middlebeck, Wintringham and Priors Hall.

3 Sustaining and enhancing the quality of placemaking

With five strategic sites in active delivery and Waterbeach expected to commence in 2020, the sustainable credentials and quality driven place making is increasingly recognised in the market as being a point of differentiation for stakeholders and our housebuilding customers.

Progress by the end of 2019:

- Alconbury won Mixed Use Development of the year at this year's Planning Awards.
- We now have a total of 21 housebuilders across our portfolio, seven of which are operating across more than one site and continue to work to expand the range and diversity. This has included a successful SME house builder conference held at Houlton in partnership with Homes England and Savills and trials of modern methods of construction alongside a growing roster of traditional housebuilders such as Crest Nicholson.
- As our sites mature so does the landscape which brings with it demonstrable benefits in terms of carbon reduction, biodiversity, health and wellbeing. This year alone we have planted over 72,000 trees nearly doubling the total number of trees planted by Urban&Civic to date.

Objectives for 2020:

- The opening of new primary school at Wintringham, the commencement of delivery of the new primary school at Middlebeck and the substantial delivery of the new secondary school at Houlton.
- The establishment of a Sustainability Framework formalising our commitment to environmental and social improvements across our portfolio of Strategic Sites in discussion with our stakeholders.

4 Identifying and delivering further trading opportunities

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

Progress by the end of 2019:

- This year Catesby disposed of nine sites totalling 152 (gross) acres with planning consent for 862 new homes with a total gross land value of £55.0 million and opened a new office in Basingstoke.
- In Manchester, we have topped out on all three buildings at Manchester New Square, our 50/50 joint venture with the Greater Manchester Pension Fund, for which there continues to be strong demand with now 41 per cent forward sold and phased completion of the scheme taking place between April and September 2020.

Objectives for 2020:

- Complete Manchester New Square and identify further low risk, low capital commercial opportunities.
- Continue to resource Catesby for promotion based projects as well as smaller scale strategic site opportunities which require the delivery of infrastructure.

5 Delivering returns for investors and other stakeholders

Our business model continues 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 2019:

- EPRA NAV per share 8.6 per cent (56.0 per cent from Listing).
- EPRA triple net asset value (NNNAV) per share 7.5 per cent (48.2 per cent from listing).
- Total shareholder return of 7.8 per cent (2018: 19.1 per cent).
- Wholesale discount decreases – 6.9 per cent
- 665 plot completions with a further 152 plots exchanged or reserved at 30 September 2019.

Objectives for 2020:

- Target plot completions and land sales equivalent to 1,200 units generating total cash of £80+ million (Urban&Civic share £60+ million).
- Sales commencement at Wintringham.
- Infrastructure funding secured at Waterbeach to accelerate delivery.
- Funding secured for early delivery of secondary school at Rugby.

Measuring our progress

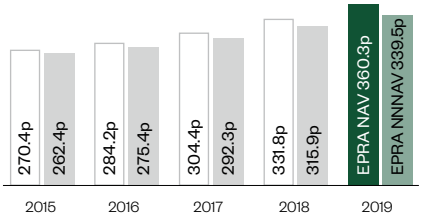
Financial

EPRA NAV per share

+8.6%

EPRA NNNAV per share

+7.5%



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 increased 8.6 per cent over the last year with EPRA NNNAV per share increasing 7.5 per cent – since listing the annual growth rates in both measures equate to 8.7 per cent and 7.7 per cent respectively.

Links to remuneration:

PSP Performance Share Plan

AI Annual Incentive award

Link to strategy key:

1 Secure sites

2 Accelerate delivery

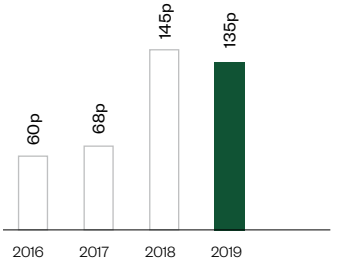
3 Sustain quality

4 Identify opportunities

5 Deliver returns

Wholesale discount

135p



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.

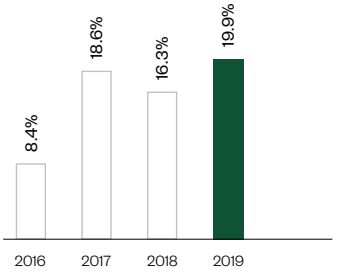
The Group expects this wholesale discount to unwind over the life of each project, although it cannot be certain on timings and considers that movements in EPRA NAV measures combined with movements in the wholesale discount is perhaps a more useful indicator of progress.

Performance

The wholesale discount has fallen to 135p per share in the year to 30 September 2019, from 145p per share at 30 September 2018. This is the result of plot sales (which trigger the recognition of historic wholesale discount through the income statement in respect of those plots) and CBRE's reduction of the net discount rates applied to the strategic sites' cash flows within their valuation models – although CBRE reduced the gross discount rates across the strategic sites, to reflect development and sales progress, they also lessened the benefit of this discount reduction by lowering the inflation rates applied to future revenue streams within their models. This means that the movement in wholesale discount has not fully translated into valuation uplifts recognised through the income statement and therefore EPRA metrics this year.

Gearing – EPRA NAV

19.9%



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 (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.

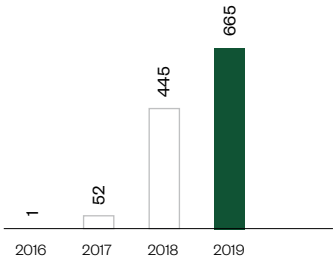
Performance

The Group's net debt position at 30 September 2019 totalled £104.9 million (30 September 2018: £78.3 million), comprising external borrowings of £129.3 million and cash reserves of £24.4 million, producing a net gearing ratio of 26.0 per cent (30 September 2018: 20.1 per cent) on an IFRS NAV basis and 19.9 per cent (30 September 2018: 16.3 per cent) on an EPRA NAV basis. Of the £129.3 million of external borrowings, £99.0 million (or 76.6 per cent) 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 28.3 per cent; still within our self-imposed limit of 30 per cent. No Group covenants are tested on a look-through basis.

Plot completions (total strategic sites)

665



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 under licence arrangements (including contractual minimums due from the housebuilders) are typically linked to plot completions and secondly, together with reservations and exchanges, they provide the Group, its independent valuers and stakeholders with market information.

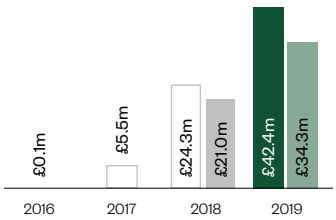
Should the Group start to make material land disposals more frequently, we will separately identify these land sales from real plot completions (in order to provide a true reflection of home occupations in any period).

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 in relation to 665 plots on 18 separate land parcels at four strategic sites, with 17 different housebuilders. This was 4.7 per cent higher than our anticipated 635 plot sales back in November 2018.

Cash flow generation from plot completions

£42.4m (total strategic sites) **£34.3m** (U&C share)



Link to strategy

1 **2** 3 4 **5**

Definition

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

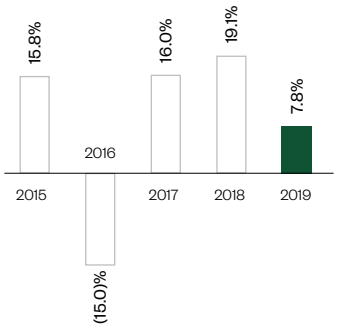
This measure is usually combined with plot completions to enable the Group to assess profitability on a per plot basis, which is also used to consider how current economics might impact property valuations.

Performance

Cash generation on residential completions has increased along with plot completions. In 2016 the first plot sale realised gross proceeds of £121,000. This financial year £42.4 million was generated by 665 completions (U&C share: £34.3 million). This was 3.0 per cent higher than our anticipated £33.3 million back in November 2018.

Total shareholder return

7.8%



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.

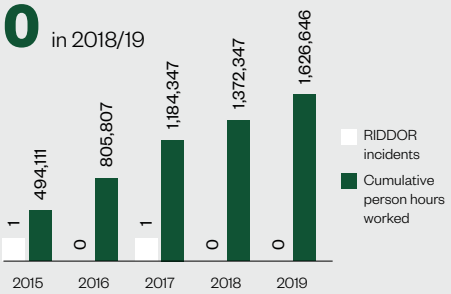
Performance

Urban&Civic's share price has risen 6.6 per cent over the last 12 months (from 304.0p at 30 September 2018 to 324.0p at 30 September 2019). Combined with two dividends paid during the year totalling 3.6p, the share price movement has resulted in a total shareholder return of 7.8 per cent for the year.

Non-Financial

Health and safety: RIDDOR incidents on Urban&Civic directly contracted works per year

0 in 2018/19



Link to strategy

1 **2** 3 4 **5**

Definition

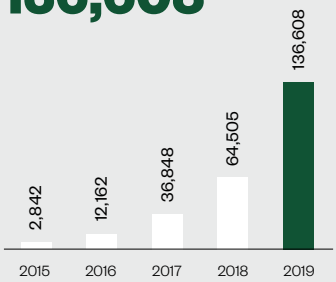
Ensuring the safety of people who work on our sites whilst the amount of activity is increasing requires active management.

Performance

This will be the second financial year in a row where there have been no RIDDOR incidents where we have directly contracted the works.

Trees planted to date

136,608



Link to strategy

1 2 **3** 4 **5**

Definition

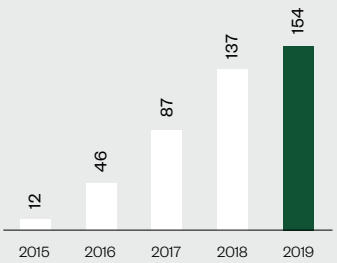
Establishing strong green infrastructure from the outset that will grow with our sites is essential.

Performance

This year saw a record increase due to remedial planting at Priors Hall to make good the lack of planting in previous ownership.

Land remediated to date

154ha



Link to strategy

1 2 **3** 4 **5**

Definition

Returning contaminated land to a usable development platform underpins our serviced land parcel model.

Performance

Due to the delivery programme across our sites the net addition is lower than previous years but with Waterbeach coming forward next year this will increase.

Continued delivery underpinned by strong values

"Urban&Civic began, very explicitly, by doing things right. The very nature of the Master Developer involves leading from the front.

ALAN DICKINSON —
NON-EXECUTIVE CHAIRMAN

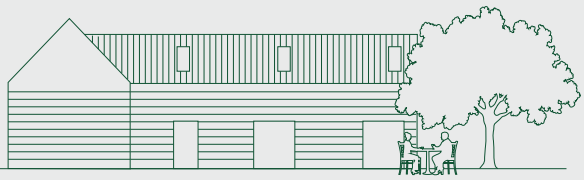
Our values

- Quality
- Integrity
- Passion
- Partnership
- Innovation

Adding value – through our values

At a time of ever more uncertainty in the UK economy, I am delighted and reassured to be able to report a picture of continuing growth in both value and activity at Urban&Civic. Our business model as Master Developer has not only proved to be a vital part of the solution to the long-term housing issues in this country, but also a significantly better way of going about that task. Indeed the values we have espoused as a business since it was founded have become a source of real added value as our stakeholders increasingly seek out Urban&Civic as the Master Developer of choice with whom they wish to work.

It seems likely that, whatever political choices are made in the UK, Urban&Civic will be a key part of the solution to the continuing housing shortfall. Yet, it is important for all businesses not to take anything for granted and to continually assess whether they are appropriately positioned to meet social and customer needs. Put simply: "Are we doing the right things for our customers and other stakeholders – both now and in the future?"



Every year the disruptive effect of the internet eats further into many if not most traditional business models. And now, climate change is bringing its own disruption – and not just to insurance companies who are meeting the bills for floods and other natural disasters. Groups built over decades if not centuries producing traditional fossil fuels are having to rapidly question their longer term strategies. As health becomes ever more important and expensive at one and the same time, businesses such as food groups and tobacco companies are forced to consider how best to meet the needs of the future. Embracing sustainability is absolutely essential.

At Urban&Civic, we believe that we must have sustainability at the heart of our model. Whilst we are fortunate that the demand for the housing that we facilitate is highly likely to subsist for many years to come, we are in a business where working positively with a myriad of other stakeholders is critical to success and value generation. The very nature of the Master Developer model involves leading from the front. The significant level of infrastructure spend and the duration of our strategic projects are such that they afford positive environmental, social and financial outcomes. We are building a new secondary school at Houlton and a primary school at Wintringham and are about to start work on a primary school at Newark. All are hugely positive for the local communities and local authorities, and make the developments even more attractive for family buyers.

Of course, it is not just education. Urban&Civic is keen to ensure its sites are highly attractive – to both housebuilders and housebuyers. Community facilities, mature trees, sensitive landscaping and quality development are part and parcel of the way we do things. At Alconbury Weald in June we were delighted to open a new cricket pitch at an open day with some 600 members of the local community enjoying the event.

All of these align with the values of the Group identified by our people themselves.

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.

All of our values help us to develop value for Urban&Civic and its shareholders. Not only are EPRA Net Assets per share up 9 per cent to 360.3p, house sales on our various sites rose from 445 to 665 and we generated some £34.3 million of cash from those sites. We have a record number of 19 housebuilders on those sites. We continue to enjoy substantial financial support on extended terms from Homes England. We were delighted to receive planning consent from South Cambs District Council for our very special site at Waterbeach and our land promotion business Catesby had an excellent year.

One other important development in the year included the recognition of the Group by the Premium Listing of our shares in April 2019. We have also been delighted to welcome Rosemary Boot and Sanjeev Sharma as Non-Executive Directors during the year. They are already making very positive contributions and I am very grateful to them and indeed to all Directors and colleagues for the help in what has been an excellent year of continued progress.

Alan Dickinson
Non-Executive Chairman
27 November 2019

CASE STUDY

Alconbury Weald claims major accolade at The Planning Awards 2019

Beating off high-quality competition from a range of projects around the UK, Alconbury Weald was named "Best Mixed-Use Development" at the 2019 Planning Awards organised by Planning Magazine, The Planning Awards recognises excellence in both planning and placemaking over the past year. Judges praised the entry led by Urban&Civic and its partners; JTP Architects, planning consultancy David Lock Associates, infrastructure consultants PBA, and Bradley Murphy Design (BMD), as a "great example of a master developed approach, producing a great long-term placemaking strategy."

A proven model with strong consistent performance

"Urban&Civic was founded on the impracticality of meeting housing requirements in the South East without an increased contribution from large developments.

NIGEL HUGILL —
CHIEF EXECUTIVE

Key observations

- **Financials**
  EPRA NAV 360.3p per share: near nine per cent growth. EPRA NNNAV 339.5p per share up 7.5 per cent.
- Annual contracted minimums up 8.9 per cent over Sept 2018 to £101.7 million.
- **Plot sales**
  Actual 2019 plot sales five per cent ahead of 2018 forecast by number and three per cent by revenues, reflecting different mix not prices.
- **Additionality**
  Each new strategic planning consent affords the realistic prospect of an additional 15-year plus income stream.
- Waterbeach takes number to six.
- **Dividend**
  Final dividend 2.5p per share.
- 11.4 per cent annual increase to recognise maintained strong performance and maturing project profile.
- **Growth**
  Keys are location and stakeholder alignment.
- **Large site discount**
  Down partly through realisations but still adds a further £197 million (EPRA NAV + large site discount = 495.3p per share at 30 September 2019).

Introduction

The Urban&Civic Master Developer model continues to return sustainable growth in generally static market conditions. Witness another strong performance even after a movement in valuation assumptions to reflect current cautions: EPRA net asset value per share up 8.6 per cent at 360.3p as at 30 September 2019. A commensurate increase in EPRA NAV to £527.5 million, as compared with £481.2 million at 30 September 2018. The debate about large site contributions to meeting housing shortfalls in South East England is over. The attention has turned to delivery quality and practicalities. Home ground for our company. Whilst the published indices are that political uncertainty is weighing on land values, the Company maintains upward performance by creating new prime environments where housebuilders want to build and homeowners want to live. Given the now maturing nature of Urban&Civic projects and the extent of existing pipeline, the reasonable assumption is for further medium term acceleration.

Profits before tax at £16.3 million were down from £22.3 million last year but fully in line with expectations. The previous 12 months had been boosted by residual commercial realisations as part of the strategy to deploy the Group balance sheet in strategic residential assets where the Company is seen to have maximum competitive advantage. The number and net cash generated from plot realisations to September 2019 were both modestly above November 2018 expectations.

Some analysts and commentators prefer to use EPRA NNNAV as the base measure: in our case that involves ignoring any benefit from the terms of funding from Homes England and making an adjustment for the estimated fair value of deferred tax liabilities. EPRA NNNAV per share was calculated as 339.5p as at 30 September 2019, up 7.5 per cent on the comparable figure 12 months previous. In future, we will headline with both net asset per share calculations. It is noteworthy that Urban&Civic has reported successive increases in net asset value – across all measures – in each interim and full year period since coming to market in May 2014.

Particular points of note

Good progress has been recorded across the board, including at Catesby, our land promotion business that contributed significant sales during the period. Four particular aspects merit highlighting.

First, the minimum value of contracted future licence sales on Group projects reached £101.7 million. The infrastructure investment for those realisations is all made.

Dolman Common at Houlton, Rugby.

Second, planning consent was issued for 6,500 new homes at Waterbeach, on the northern perimeter of Cambridge, in September 2019 following the Resolution to Grant announced in May. We are in advanced discussions for an associated £60.6 million infrastructure facility. Both consent and facility represent our largest to date. Preliminary works are on site with the start of the substantive capital programme early in the New Year. Initial new build occupations are scheduled for 3Q 2022.

Third, whilst it remains early days, the signs are good for the proposed new settlement at Tyttenhanger in Hertsmere, Hertfordshire. Agreements were signed in February 2019 over 2,000 acres, predominantly to the immediate north of junction 22 to the M25, 18 miles from Marble Arch in Central London. The Development Management arrangements provide for Urban&Civic having responsibility for planning and delivery, including site servicing costs, for which we stand to receive a substantial minority participation. The project requires release from the Green Belt and, as such, necessarily is to be taken through the Local Plan. On the other hand, Hertsmere Borough is 79 per cent Green Belt; it is simply infeasible to reach local employment and housing aspirations without a major release. The current Council timetable is for Local Plan adoption during 2021. There are no local authority elections for Hertsmere during that period providing a correspondingly stable governance base.

Fourth, the valuers made some changes to the weighting of their assumptions at the year end, including inflation and discount rates. The impact of those changes was to lower the level of reported net asset uplift by approximately £25 million when compared with the assumptions used at 30 September 2018. Partly as consequence, the estimated large site discount also reduced by £13 million to £197 million, equivalent to 135p per share. The calculation is made between the current open market value of a standard 150–200 plot parcel on our consented sites only, as then discounted by CBRE into a balance sheet valuation to account for the strategic size of our actual holdings. Adding back that discount to EPRA NAV gives a figure of 495p per share at 30 September 2019, up from 477p on 12 months previous and notwithstanding the alteration in valuation assumptions.

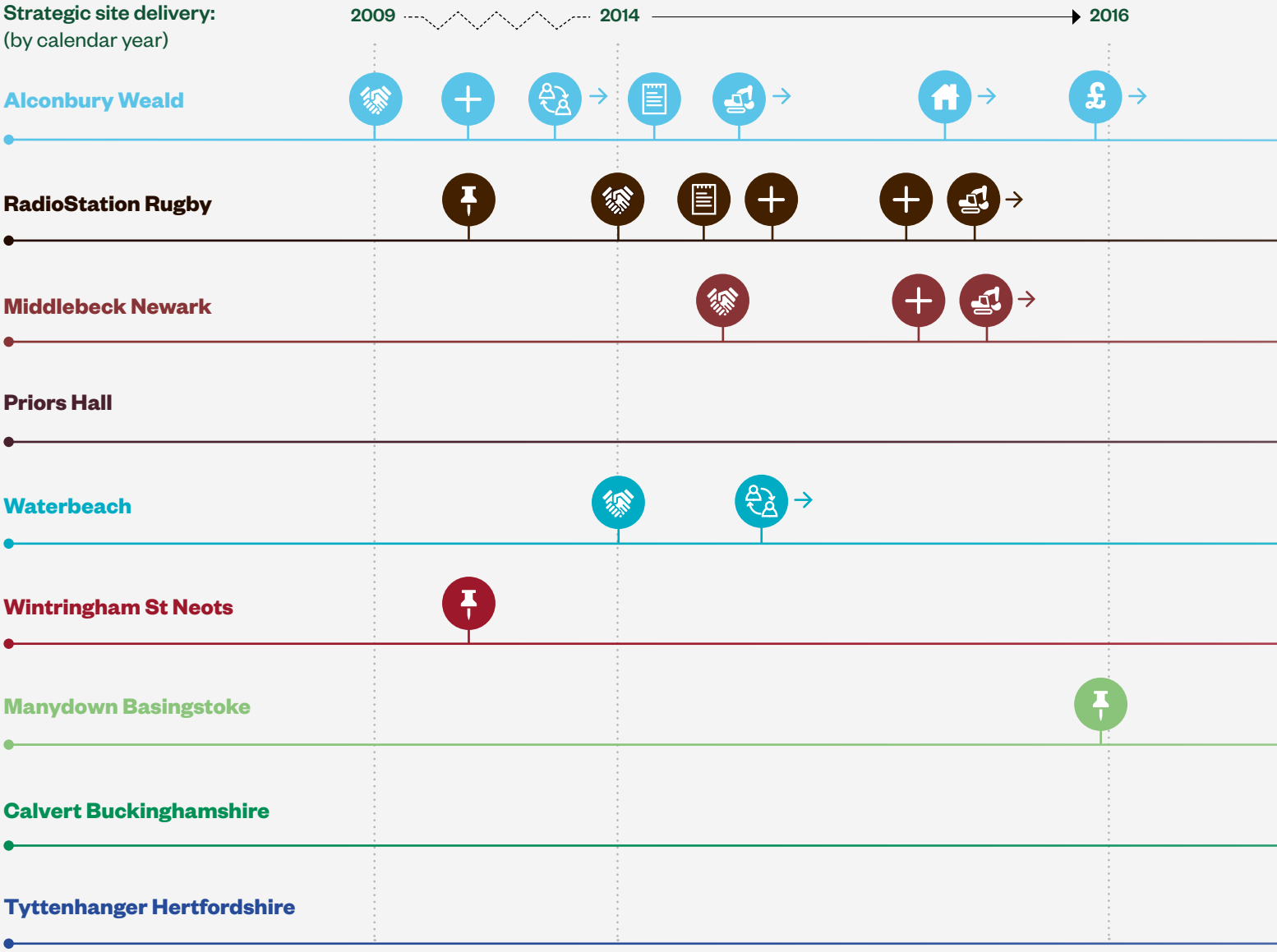
Regional differentiation across the UK land market

Urban&Civic was founded on the political impracticality of meeting housing requirements in the South East without an increased contribution from large developments. Young families and inward movement, not just from abroad but also from other parts of the country, combine to produce local population growth often approaching 1 per cent a year. That translates into a requirement for somewhere approaching 10,000 new homes in each borough or district over the next 10–12 years. That simple calculation demonstrates the necessity for strategic projects in our chosen areas within 100 miles of London.

National land indices show no real price movement since the start of 2018. Housebuilders have sought to protect margin and mitigate risk through careful site selection. The nationals are able to point to good land buying opportunities in benign conditions. Government policies and interventions are having a greater national impact than is often credited. Recently published official statistics are that the housing supply in England increased at the highest annual rate to March 2019 at any time in the past 30 years. Significantly, the net addition figure was almost 8 per cent above the pre-financial crash peak, despite the aggregate number of housing transactions for the year being 30 per cent lower than the high of 2006–2007.

Purchasers (especially first time buyers) are staying longer, having families later and mostly choosing houses over apartments, leaving the secondary market to stagnate relatively, while demand for new-build property strengthens assisted by the continuation of Help to Buy.

The statistics also serve to reinforce an observation made in previous reports: the regional shortfalls in new houses being built against the Government's Standard Methodology for measuring those requirements are limited to London, the South East and some parts of the East of England. In the rest of the country, the official targets are now being met or, in some cases comfortably, exceeded.



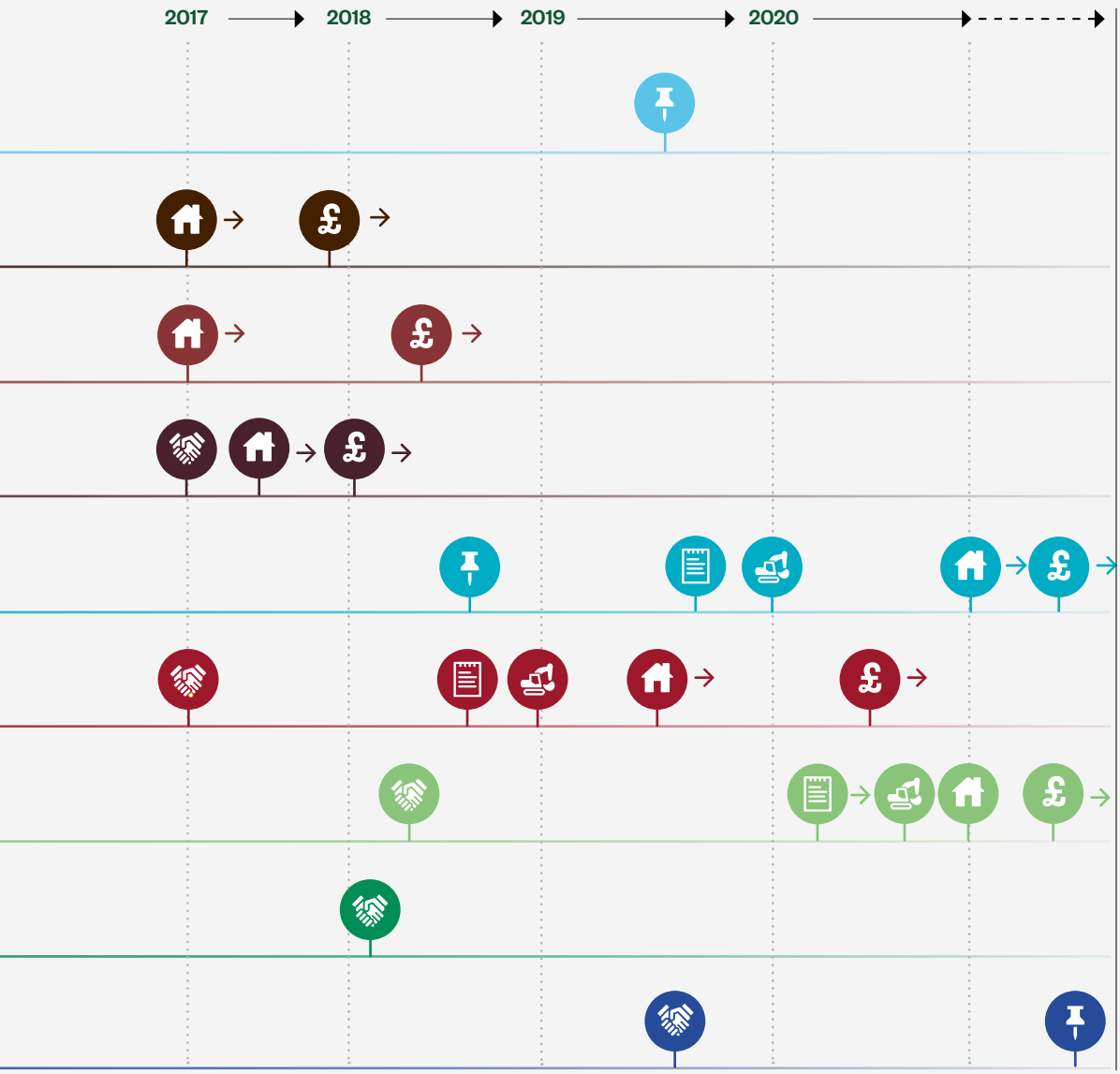
As consequence, outside the South East, the actual limitations are not the availability of consented land on which to build but the extent of customer demand and the fierce determination of housebuilders to maintain cost efficiency.

UK employment remains close to a record high and earnings growth exceeds inflation. Fortunately, these are the two principal historic housing drivers, regardless of the prevailing political turmoil. Outside London, the subdued economic environment is impacting upon house prices but much less on absorption rates. Positive underlying demographics, supported by good servicing affordability from low mortgage interest rates, sustain demand nationally without meaningful house price inflation. The evidence from our own projects is for continued build out at a pace above contractual minimums but with house price growth at Corby and Newark.

Urban&Civic's performance relative to those markets

Pulling those strands together explains why the Company has been able to outperform the land indices and affords good confidence for new openings arising from our established competitive advantage. The success achieved by Urban&Civic to date has not been in especially supply constrained locations.

Sales are taking place currently on four strategic projects plus Europa Way at Warwick, which is smaller at 735 units but also fully infrastructured. Alconbury is on the margin of the area for which current net additions are falling short of official housing requirements. The remainder, Houlton in Rugby in particular, are in high demand/well supplied areas. The differentiation lies in our ability to create new quality places and schooling. As illustration, there are 18 new housing outlets in Rugby Borough, where there is a current shortage of school places. The initial intake at the primary school on our project at Houlton is approaching capacity after little more than two years. The consented design provides for ready expansion.



Timeline key:

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

For more detail on our strategic sites view: **www.urbanandcivic.com**

> If Urban&Civic was established out of the practical necessity for more strategic projects, the virtues of well managed infrastructure led development are now apparent.

The model for the new secondary school at Houlton, Rugby.

Urban&Civic's performance relative to those markets continued

Work has started on the secondary school which is on course for September 2021 opening. Our devised funding structure, whereby the Department of Education advances £35.5 million, interest free and repayable only against section 106 hurdles, has been extended to a national pilot. The £25 million link road, accelerated with favourable funding from Homes England, is now open. The greenspace investment looks terrific. The anecdotal evidence is that Houlton is outselling other new outlets in Rugby by 50 per cent per housebuilder.

As progression, our next two projects stand squarely in areas of limited supply. Wintringham is within walking distance of the East Coast mainline railway station at St Neots on the Cambridgeshire/Bedfordshire border. Contracts on parcels totalling 455 units are completed; one to Cala Homes, a new customer, the other to Morris Homes, who are also building at Alconbury and Rugby. Two further contracts are in documentation for approximately the same number again: both new customers. Those four licences will comprise around one third of the total 2,800 consented plots. The frame is erected for the first primary school that will open in September 2020 to coincide with initial residential occupations.

Bids have been received from nursery operators and from metro food retailers. The 33 per cent in the project was acquired from our partners, Nuffield College in Oxford, in April 2017 at an acquisition consideration equivalent to £14,285 per unserviced residential plot. The equivalent CBRE valuation as at September 2019, which took account only of the first two contracts, was almost double at £2,700 per plot. The date of first occupation will be a little shy of our original ambitious target, but well within three years of first application submission.

Waterbeach, three miles to the north of the Science and Business Parks in Cambridge, will follow closely after Wintringham. Planning consent took longer here but in an area of greatest shortfall. The section 106 was signed in September 2019, giving rise to a valuable interest in the former barracks land to Urban&Civic, as well as a right to draw down in accordance with the development management contract. An initial valuation of the combined interests included in the year end accounts gave rise to an uplift over cost of £24.6 million. Occupations of the first new homes are scheduled for third quarter of 2022. From the outset and regardless of the extraordinary lakeside environment, Waterbeach has been positioned as affordable Cambridge.

The valuations are based on starting prices well below £400 per sq. ft. The completed conversion of the barracks buildings for nursing accommodation to Papworth hospital supports the assumption that the demand for PRS looks set to be of a different order from other Group projects to further boost likely delivery rates.

Environmental and social virtues from operating at scale

If Urban&Civic was established out of the practical necessity for more strategic projects, the virtues of well managed infrastructure led development are now apparent. Put simply, large projects afford the opportunity of creating new green environments with good practices and quality education designed in from the outset in a manner that infill sites never can.

Whilst the advantages of infill are speed and lack of risk, as Master Developer, Urban&Civic can provide the same to our housebuilders customers on their serviced land parcels whilst creating new social fabric for all stakeholders across the site. Strategic projects are necessarily infrastructure led. The funding support from Homes England is correspondingly important. That is being repeated at Waterbeach.

Securing planning consent also required empirical demonstration to South Cambridgeshire planners of net carbon improvement emphasising the importance of our Sustainability Framework.

We are on site with new schools at Rugby and Wintringham and about to commence the primary school at Newark. The link road at Rugby is open five years ahead of planning obligation. The Urban&Civic way is creating a level of goodwill and institutional alignment that will take some matching. The stream of official visitors to our sites is testimony to the prevailing level of interest. The monetisation that comes from building our own prime becomes shared with our housebuilding customers via the licence arrangements. The price profile may have flattened but the stepped growth since first sales is marked.

Operating at scale is underpinned by our natural enthusiasm for consulting widely and with genuine intent; early tree planting; creating usable and sustainable green landscape; recycling and reusing as much material as we can; establishing meaningful programmes for jobs and skills and forging strong bonds of trust with the communities in which we are delivering.

We know that what we do makes a difference. I am proud of what we have achieved to date and very aware of the increasing focus on these issues. From having extensively reviewed standard metrics and measurements we found that none encompass accurately the role of the Master Developer across large scale sites. Accordingly, a bespoke assessment of metric options for Alconbury identified five key sustainability capitals which will underpin our work during 2020 to forge a detailed, repeatable and relevant assessment we can report on more widely. We welcome comments on the analysis to date and shareholder involvement in the process going forward.

Catesby

The Group's land promotion business continued to capitalise on its planning expert positioning. I am pleased to report that the two outstanding Supreme Court hearings and the judicial review were all determined in Catesby's favour. Total sales in the year amounted to £10.1 million giving a realised post tax contribution after overheads of £5.3 million. The net EPRA movement on sites for which consents have been secured but the land not yet sold was a further £1.4 million. Capital invested in Catesby was £29.0 million as recorded in the balance sheet at 30 September 2019. The EPRA uplift included within capital invested aggregated £12.9 million.

Operating conditions are not getting any easier but a good pipeline is being maintained with approximately 11,000 units across 52 sites on 2,000 acres. At the time of writing four projects are at appeal or subject to judicial review. A small satellite office has been opened in Basingstoke to provide better coverage to the south and west of London.

Manchester

Completion of the three residential blocks at Manchester New Square is programmed between April and September 2020. The development is in joint venture with the Greater Manchester Pension Fund, who provide all incremental funding. Sales are steady with a noticeable increase in footfall now that the hoardings are down. 145 units exchanged/ reserved out of 351. Help to Buy finance will be available on remaining apartments early in the New Year.

Refurbishment works contracted at £4 million are about to commence on the Renaissance hotel in Deansgate, in conjunction with a new five year operating lease to Marriott. Manchester City Council has ratified a Strategic Regeneration Framework to confirm the subsequent redevelopment potential.

The Big Summer Bash at Alconbury Weald with the restored listed watchtower bottom left and the new cricket pitch top right.

Immediate priorities

We must always look to improve but last year was one of few project disappointments. The obvious frustration is the time that is being taken to get started at Manydown. The conversion of the procurement process into contract has taken longer than anticipated but does now appear close to completion. An industry leading joint venture between a local authority, a county council, a Master Developer and the world's second largest charity was never going to be entirely straightforward but, once formed, will have significant experience and firepower. The outline planning application, being run to date by the Councils, shows that large site approvals are not easy even when a local authority is effectively making an application to itself. We look forward to putting our shoulder fully to the wheel post contract.

Work will start in earnest at Waterbeach where we enjoy the advantage of making the most of an already established natural environment, really for the first time.

The outcome of the deliberations over HS2 have obvious ramifications for Calvert in Buckinghamshire. Our interests in 785 acres, with a working understanding over more, are at the intersection of the programmed HS2 route and the track beds of the Oxford to Cambridge railway line. The rail connections are fundamental, whereas the now unlikely Oxford to Cambridge Expressway is not. We are making the case. Several new projects in which we can look to capitalise on platform advantage are in early due diligence. But no more than that. The priority is for early income realisation.

The Executive Management Committee is working well and helps integrate not only internal decision making but also external stakeholder engagement. The operating structures are in place for further expansion and the Chairman has articulated clearly how the growing business has coalesced around clear values.

Outlook

Expressing confidence a fortnight before the most significant General Election in living memory is the preserve of the brave, not to say foolhardy. The level of large project realisations last year amounted to 1,066 plots (665 strategic sites plus 401 Europa Way). The total combined exceeded guidance, albeit not by as much as for 2017/18. Predicting the current year is more difficult again. The resilience in mid-range housing demand is demonstrably hard to suppress, just as the UK economy has faltered, not stalled, despite all bleak prognoses. Maintained uncertainty and further parliamentary gymnastics were there not to be a majority outcome must test the resolve of new purchasers, probably beyond previous limits. Housebuilders may also choose to run slower in securing detailed planning approvals ahead of starting on site.

The contrary is also perfectly plausible. The emphasis is manifestly different but there is much common ground across the political manifestos. Housing priorities are unusually detailed. A growing population has to live somewhere and, with the possible exception of Waterbeach, buying is cheaper than renting on and around our projects. Climate and social concerns will continue to accelerate. Our housebuilding customers will be able to apportion some of the benefits in driving down impacts that large sites can provide. To maintain revenues when facing continued political uncertainty, housebuilders may regard Urban&Civic sites as a preferable low risk route to return on capital employed. Build cost pressures are abating. We are seeing those signs in the interest for new parcels from existing and new customers alike: current licences and forward realisations number 28 with a further 11, including some smaller sales, in legal documentation.

Cambridge University Eco Racing (CUER) testing their solar vehicle at Waterbeach.

Roman coin discovered during the archaeology investigations at Priors Hall.

> Looking further forward, the Board is determined to play to the Company's strengths and clear platform advantage.

The most straightforward course in estimating the coming year is to use our central business plan assumptions, acknowledging the extent to which external events could impact in either direction. On that basis, the 2019/20 sales profile remains sharply upwards at 1,200 strategic site realisations (approaching double last year), with an additional 334 at Europa Way. The downside risk is mitigated by the structure of the licence contracts. The average length of forward sales at 3.3 years with progressively higher minimums affords significant comfort if we are to face another bout of unstable minority administration.

Looking further forward, the Board is determined to play to the Company's strengths and clear platform advantage. Group projects including Catesby amount to 32,000 consented or allocated plots, with a further 19,000 moving through the planning process. That represents a tripling of holdings in five years. We offer a rapid and pre-consented route to sales in affordable and well connected locations with strong underlying demographics in the South East. By contrast, our expectation is that the buyers' market for land will maintain elsewhere and may yet become more pronounced.

NPPF guidance envisages circumstances in which councils might need to plan for more housing than the standard method calculation.

A recent report from, planning consultants, Lichfields reviewed the plan making progress of all local authorities in England, excluding London. The research found that of one third of submitted or emerging Local Plans went above the pro rata 273,000 home target but that the sponsoring authorities were overwhelmingly in the North and Midlands. Plans in the South East either matched or were providing for less, predominantly citing constraints on supply.

That is our area and those are the authorities with which Urban&Civic, as the leading Master Developer, can command most leverage. Tyttenhanger exemplifies where we are concentrating our attention and resources. Equidistant between St Albans and Potters Bar, in one of the most supply constrained locations in Southern England. The covering agreement was made bilaterally with a single landowner and takes our total number of strategic projects to nine, much the highest of any UK Master Developer. We are working on more.

Dividend

The final dividend of 2.5p per share maintains the stated policy of increasing shareholder distributions by 10 per cent per annum in the normal course. The 11.4 per cent increase in the current year recognises the planning consent at Waterbeach and continued strong Group performance. It goes without saying that the Board will review at the half year, at which point the landscape will hopefully have become clearer, or perhaps not.

A scrip dividend alternative will be made available for the 2019 final payment, for which I shall again be electing.

Continuing thanks

Ever grateful thanks to Board and staff colleagues alike. An inclusive stakeholder approach has been part of the DNA of Urban&Civic from the very outset. Doing things right is just how we work.

Nigel Hugill
Chief Executive
27 November 2019

Sustained and robust growth

"The Group has delivered a 9.6 per cent growth in EPRA net asset value in the last 12 months – this is also the annual equivalent growth rate since our 2014 listing.

DAVID WOOD —
GROUP FINANCE DIRECTOR

Key observations

- EPRA net asset value up 9.6 per cent at £527.5 million (30 September 2018: £481.2 million) with Waterbeach revaluation contributing £24.6 million to the uplift.
- EPRA net assets per share 8.6 per cent higher at 360.3p (331.8p at 30 September 2018).
- EPRA triple net assets 339.5p per share; up 7.5 per cent.
- Large site discount per share represents a further 135p per share (30 September 2018: 145p per share).
- 665 strategic site plot completions (+49 per cent over last year) generating £42.4 million of cash of which Urban&Civic's share was £34.3 million (+63 per cent over last year).
- Gearing of 19.9 per cent on an EPRA NAV basis (30 September 2018: 16.3 per cent). A large proportion of this increase relates to Homes England drawings.
- Gross profit £28.4 million (year to 30 September 2018: £29.4 million). Reduced commercial disposals were compensated by residential property profits.
- Final dividend of 2.5p per share; 11.4 per cent year-on-year increase to recognised continued strong performance.

Introduction

The Group has delivered a 9.6 per cent growth in EPRA net asset value (or 8.5 per cent on an EPRA triple net asset value basis) in the last 12 months, through a combination of planning uplifts (including outline consent for 6,500 homes at Waterbeach), accelerated infrastructure delivery and placemaking across the Group's strategic sites and completion of 665 plot sales (1,066 plots if you include our sub-strategic site at Europa Way). These 665 strategic site plot sales generated £34.3 million cash for the Group, which was around 5 per cent above expectations in terms of numbers and 3 per cent higher in respect of values (the slightly lower cash generation outperformance was the result of variations to sales mix rather than pricing). This level of sales was achieved without having any housebuilders commencing sales on new parcels in the second half of the year.

All consented strategic land sites are now benefiting from house completions except for Waterbeach, which has just received consent, and Wintringham, where two housebuilders are now on site and building homes (completions due in 2020). At 30 September 2019, the Group had sales contracts in place with 19 housebuilders across five sites, which will generate minimum total receipts of £101.7 million (up from £95.9 million at 31 March 2019 and £93.4 million at 30 September 2018) – an annual minimum equivalence of £30.7 million.

Gross profits are slightly down on last year and have mostly been derived from residential and Catesby sales rather than the historic commercial property disposals.

Key performance indicators

The Group's key performance indicators for the year to 30 September 2019 remain consistent with last year, although I have increased the prominence of the EPRA triple net metric this year (EPRA NNNAV) and I have also added a total NAV return measure (which is defined in the glossary of terms).

	Year ended 30 September 2019	Year ended 30 September 2018	Annual increase/ (decrease)
EPRA NAV (EPRA net assets)	**£527.5m**	£481.2m	9.6%
EPRA NAV per share	**360.3p**	331.8p	8.6%
EPRA NNNAV (EPRA triple net assets)	**£497.0m**	£458.1m	8.5%
EPRA NNNAV per share	**339.5p**	315.9p	7.5%
Total shareholder return	**7.8%**	19.1%	
Total NAV return	**8.6%**	9.2%	
Gearing – EPRA NAV basis	**19.9%**	16.3%	
Look-through gearing – EPRA NAV basis	**28.3%**	20.6%	
Strategic site plot completions[1]	**665 plots**	445 plots	49.4%
Europa Way plot completions	**401 plots**	—	n/a
Cash flow generation from strategic site plot completions[2]	**£34.3m**	£21.0m	63.0%
Large site discount per share[3]	**135.0p**	145.0p	(6.9)%
EPRA NAV per share + large site discount per share (gross of tax)[4]	**495.3p**	476.8p	3.9%

1. Includes 144 plots at Alconbury Weald (six months ended 31 March 2019: 60; year ended 30 September 2018: 100); 155 at Rugby (six months to 31 March 2019: 62; year ended 30 September 2018: 78); 87 at Newark (six months to 31 March 2019: 63; year ended 30 September 2018: 37); 53 plots from new contracts at Priors Hall and 226 plots from pre-acquisition contracts at Priors Hall (six months to 31 March 2019: 226; acquisition to 30 September 2018: 230).
2. Represents Urban&Civic's (U&C's) share of cash generated by strategic site plot completions.
3. 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.
4. EPRA NNNAV per share + large site discount (net of tax) equates to 451.6p (30 September 2018: 436.3p). The tax allowance was calculated by applying a tax rate of 17 per cent to the gross large site discount.

EPRA NAV metrics and total shareholder return remain the Group's principal performance measures, particularly when assessing value growth. EPRA balance sheet measures record the net asset value attributable to equity shareholders, adjusted for the revaluation of trading properties without tax (EPRA net asset value) or with tax (EPRA triple net asset value).

Given the impact that revaluations of trading properties have on the Group's EPRA NAV metrics, we continue to engage CBRE Limited (our independent valuers) to provide Red Book valuations for all our consented strategic land sites (as well as others property valuations) using discounted cash flows as a basis for their assessment.

I mentioned above that I have increased my focus on EPRA NNNAV in my commentary this year. This reflects the Group's increasing profitability and usage of its historic tax losses; both of which are likely to mean that the Group will pay more tax in the future (especially as the Group is not a REIT).

Our justification for selecting the other KPIs is set out on pages 12 and 13.

Net Asset Value – EPRA NAV, EPRA NNNAV and IFRS NAV

I have presented below a non-statutory analysis explaining the movements in net asset value over the last 12 months (and comparable period).

	Year ended 30 September 2019				Year ended 30 September 2018	
	Group £m	Joint venture and associates £m	Total £m	Pence per share	Total £m	Pence per share
Revaluation of investment properties and write downs of trading properties[1,2]	5.1	—	5.1	3.5	9.1	6.3
Profit on trading and investment property sales[3,4]	19.3	8.1	27.4	18.7	27.6	19.0
Rental, hotel and other property income	2.3	—	2.3	1.6	2.5	1.8
Project management fees	2.9	—	2.9	2.0	3.0	2.2
Administrative expenses	(19.9)	(0.1)	(20.0)	(13.7)	(18.8)	(13.0)
Tax and other income statement movements	(5.1)	—	(5.1)	(3.5)	(4.6)	(3.9)
Total comprehensive income movement	4.6	8.0	12.6	8.6	18.8	13.1
Dividends paid	(5.2)	—	(5.2)	(3.5)	(4.5)	(3.1)
Other equity movements	3.3	—	3.3	2.3	2.9	2.0
Effect of IFRS 15 adoption[4]	2.4	0.8	3.2	2.2	—	—
IFRS movement	5.1	8.8	13.9	9.6	17.2	12.0
Revaluation of retained trading properties[2]	36.5	2.8	39.3	26.8	35.1	24.2
Release of trading property revaluations on disposals[4]	(4.7)	—	(4.7)	(3.2)	(11.6)	(8.0)
Deferred taxation[2]	1.0	—	1.0	0.7	1.2	0.8
Effect of IFRS 15 adoption[2]	(2.4)	(0.8)	(3.2)	(2.2)	—	—
Effect of share issues and dilutive options			—	(3.2)	—	(1.6)
EPRA NAV movement	35.5	10.8	46.3	28.5	41.9	27.4
Deferred taxation[2]	(7.4)	—	(7.4)	(4.9)	(5.7)	(3.8)
EPRA NNNAV movement	28.1	10.8	38.9	23.6	36.2	23.6
EPRA NAV at start of year			481.2	331.8	439.3	304.4
EPRA NAV at end of year			527.5	360.3	481.2	331.8
EPRA NNNAV at start of year			458.1	315.9	421.9	292.3
EPRA NNNAV at end of year			497.0	339.5	458.1	315.9

1. Comprises surpluses on the revaluation of investment properties (£5.8 million) net of trading property write downs (£0.7 million).
2. Total classified as property revaluations for the purposes of the below EPRA NNNAV growth commentary.
3. Comprises profits from trading and residential property sales (£22.6 million), construction contracts (£1.3 million) and investment property sales (whether earned by subsidiaries or joint ventures) as well as unwinding of discounts applied to long-term residential property sales debtors (£2.6 million) and surpluses on revaluation of overage entitlements that were acquired with the Priors Hall asset (£0.9 million).
4. Total classified as profit on property sales for the purposes of the below EPRA NNNAV growth commentary.

As reported at the half year, following the adoption of IFRS 15 'Revenue from Contracts with Customers' overages as well as minimums are now recognised ahead of house exchanges or house completions to the extent they are not expected to reverse in the future. The £3.2 million total set out in the table above represents the estimated additional discounted overages, net of tax, receivable up to 30 September 2018 and is accounted for as an opening reserve adjustment.

You will also note from the table that property revaluations contributed 23.9p[2] to the Group's EPRA NNNAV growth of 23.6p, while profits on property sales contributed a further 17.7p[4]. Overheads, dividends and the dilutive effect of share options net 20.5p from these gains.

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

Total shareholder and NAV return

Urban&Civic's share price increased 20.0p (or 6.6 per cent) over the financial year (from 304.0p on 30 September 2018 to 324.0p on 30 September 2019). This increase, combined with the payment of a 2.2p final dividend and 1.4p interim dividend, has resulted in total shareholder return of 7.8 per cent for the financial year.

Total NAV return, which substitutes movements in EPRA NNNAV for movements in share prices when compared to shareholder return calculations, has increased by 8.6 per cent over the 12 months to 30 September 2019.

Consolidated statement of comprehensive income

Gross profits, including the Group's share of joint ventures, are broadly in line with last year despite not making the significant commercial asset disposals that have been a feature of prior periods.

The Group's profit after tax was down £6.1 million over the comparative financial year, which (given consistent gross profits) is predominantly as a result of lower property revaluations going through the income statement, following the reclassification of most of the Group's property interests into trading stock in this and prior years.

I have provided further explanation of the income statement movements below.

	Year ended 30 September 2019			Year ended 30 September 2018		
	Group £m	Joint ventures and associates £m	Total £m	Group £m	Joint ventures and associates £m	Total £m
Revenue	102.1	29.4	131.5	150.4	8.8	159.2
Profit on trading property sales[1,2]	16.7	7.2	23.9	24.3	2.1	26.4
Rental and other property profits	0.6	—	0.6	0.8	—	0.8
Hotel operating profit	1.7	—	1.7	1.8	—	1.8
Project management and other fees[3]	2.9	—	2.9	3.0	—	3.0
Write down of trading properties[4]	(0.7)	—	(0.7)	(2.6)	—	(2.6)
Gross profit	21.2	7.2	28.4	27.3	2.1	29.4
Administrative expenses (net of capitalised costs)[3]	(19.9)	(0.1)	(20.0)	(18.8)	—	(18.8)
Profit on investment property sales[2]	—	—	—	1.2	—	1.2
Surplus on revaluation of investment properties[4]	5.8	—	5.8	10.6	—	10.6
Surplus on revaluation of receivables[2]	0.9	—	0.9	1.1	—	1.1
Share of post-tax profit from joint ventures	8.0	(8.0)	—	2.1	(2.1)	—
Unwinding of discount applied to long-term debtors[2]	1.7	0.9	2.6	0.8	—	0.8
Tax and other income statement movements	(5.1)	—	(5.1)	(5.6)	—	(5.6)
Profit after tax	12.6	—	12.6	18.7	—	18.7

1. Comprises profits from trading property sales and residential property sales and profits on construction contracts as disclosed in note 2.
2. Total classified as profit on trading and investment property sales in the EPRA movement table above.
3. Recurring project management fees comprise £2.1 million of the total (30 September 2018: £2.1 million) and are earned through recharging administrative expenses to joint ventures where Group employees are engaged on joint venture activities.
4. Total classified as revaluation of investment properties and write downs of trading properties in the above table.

Gross profit

Gross profit is slightly down on last year at £28.4 million (including £7.2 million generated by joint ventures); predominantly due to reduced commercial disposal profits (down £7.6 million – reflecting last year's sale of the Stansted Hilton Hotel development and Skelton Retail Park), which have been compensated by increased residential property profits (up £2.8 million), and significantly lower property write-downs (down £1.9 million).

Profits from trading property sales of £23.9 million (which make up 84 per cent of gross profit) include residential profits at Alconbury Weald, Newark and Priors Hall (£2.8 million), £7.2 million in respect of Urban&Civic's share of residential profits at RadioStation Rugby and Wintringham, £3.2 million generated by the disposal of Canningford House commercial property, £1.3 million of Europa Way residential profits and £9.4 million from Catesby land promotion transactions.

Consolidated statement of comprehensive income continued

Gross profit continued

Included within the residential profit's figures are profits from the Group's strategic site licence arrangements. These arrangements are complicated from an accounting perspective, however they are predominantly recognised in two places in the income statement, although often at different points in time.

Firstly, we typically recognise the total minimum amounts due under a licence arrangement when the land has been transferred to the housebuilder (usually on contract completion). This minimum sum is discounted and recorded through 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.

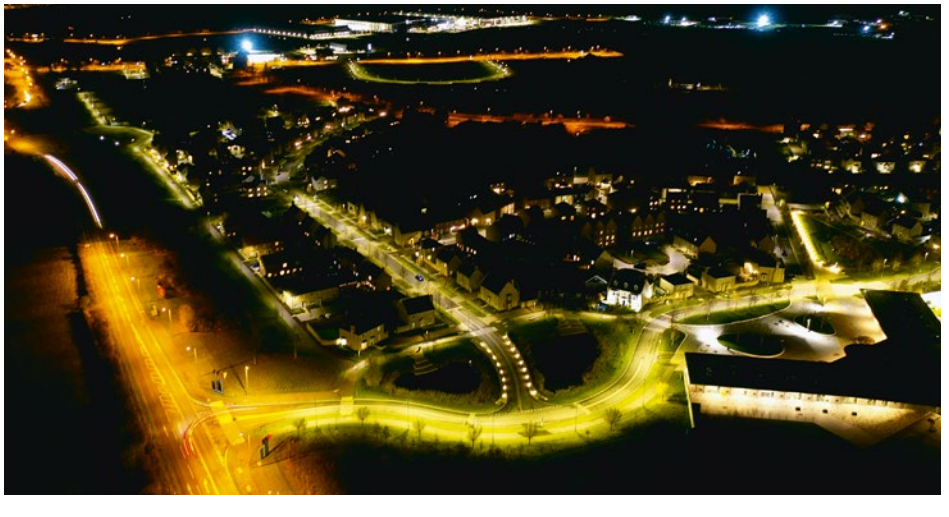
The second place where you might consider that 'residential profits' are recorded, is through the finance income line. It is here that the discount applied to the long-term minimums and overage debtors unwind; through either the passage of time or upon receipt of the licence proceeds, minimum sum and/or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

During this financial year, residential profits at Alconbury Weald, Newark and Priors Hall included £2.6 million from the completion of 26 Hopkins Homes and £1.6 million of pre-completion profit recognition of discounted overages across all three sites. A further £1.7 million of discount unwinding, in respect of minimum and overage receivables, was recognised in finance income.

Of the £7.2 million of joint venture residential profits, £5.0 million was attributable to the contractual minimums and discounted overages following the sale of a 248-plot parcel to Redrow at Rugby (£4.0 million) and the sale of a 177-plot parcel to Cala at Wintringham (£1.0 million). A further £2.2 million of other profits from Davidsons Homes, Morris Homes and Crest Nicholson agreements were also recognised. Joint ventures also booked a further £0.9 million of discount unwinding, in respect of the overage receivables, through finance income.

I have provided a breakdown of plot completions by site, with comparatives, as a footnote to the KPI table above. You should note that 226 completions at Priors Hall in the period relate to existing contracts that were in place when the Group purchased the site in October 2017 and therefore receipts against these acquisition receivables have been credited to the balance sheet receivables; rather than the income statement.

The terms minimums, overages and licences have been defined within the glossary and our accounting policy notes sets out how we recognised revenue.



Key Phase 1 of Alconbury Weald.

Administrative expenses

The Group's gross administrative costs have increased by £1.8 million (to £25.3 million) in the 12 months to 30 September 2019. This is largely as a result of increased staff costs (headcount has increased by seven employees this year) and one-off costs associated with the Group's move to the Premium Listing segment of the London Stock Exchange in April. After capitalising overheads associated with development activity, this gross amount falls to £20.0 million compared with £18.8 million last year.

It is worth noting that the Group's recurring project management fees, which are fees earned by our employees for the provision of project management services to our joint ventures (or other third parties), now amount to £2.1 million (30 September 2018: £2.1 million). These project management services and associated fees contribute to overheads as well as acting as a profit centre.

Surplus on revaluation of investment properties

The residential-led planning application for the Alconbury Weald expansion land, better known as Grange Farm has now been submitted and therefore, on commencement of early development works, we reclassified this property into trading stock on 1 October 2018.

Following this reclassification, and as a result of prior period reclassifications and disposals, the Group's only investment properties now comprise commercial buildings, commercial development land at Alconbury Weald and a proportion of the Group's interest in Waterbeach, which could deliver both commercial buildings and residential rental properties in the future. Consequently there are very few property revaluations accounted for through the income statement under International Financial Reporting Standards.

In order to help the reader, understand the value of the Group's total property portfolio, as well as reconcile the movements in values at IFRS and EPRA levels, I have produced the table below, which pulls together the property interests that arise throughout the balance sheet.

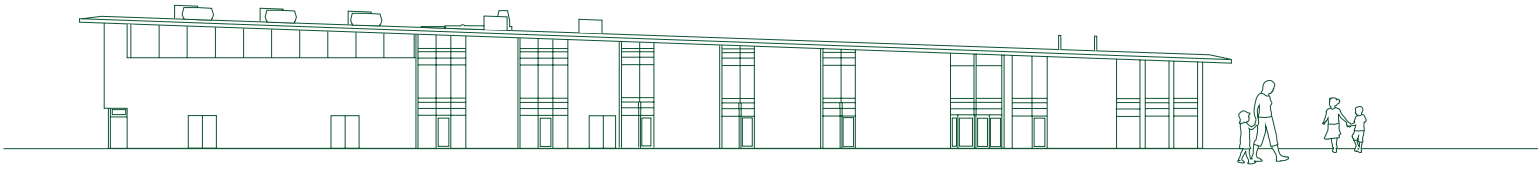
Property portfolio £m	Investment properties (wholly owned)	Trading properties (wholly owned)	Properties within PPE (wholly owned)	Trade and other receivables (wholly owned)	Subtotal (wholly owned)	Trading properties (share of joint ventures)	Trade and other receivables (share of joint ventures)	Total (including share of joint ventures)
Valuation at 1 October 2018	86.9	341.2	3.7	31.3	463.1	134.4	11.6	609.1
Less: EPRA adjustment (trading properties)	—	67.4	—	—	67.4	17.9	—	85.3
IFRS carrying value at 1 October 2018	86.9	273.8	3.7	31.3	395.7	116.5	11.6	523.8
Impact of adopting IFRS 15	—	—	—	3.1	3.1	—	0.8	3.9
IFRS carrying value at 1 October 2018 – restated	86.9	273.8	3.7	34.4	398.8	116.5	12.4	527.7
Capital expenditure (including capitalised overheads)	2.1	44.4	—	—	46.5	41.6	—	88.1
Transfer to trading properties	(41.9)	41.9	—	—	—	—	—	—
Disposals/depreciation/ write downs	—	(53.1)	(0.5)	18.2	(35.4)	(15.0)	15.3	(35.1)
Revaluation movements (investment properties)	5.8	—	—	—	5.8	—	—	5.8
IFRS carrying value at 30 September 2019	**52.9**	**307.0**	**3.2**	**52.6**	**415.7**	**143.1**	**27.7**	**586.5**
Add: EPRA adjustment (trading properties)	—	95.4	—	—	95.4	20.6	—	116.0
Valuation at 30 September 2019	**52.9**	**402.4**	**3.2**	**52.6**	**511.1**	**163.7**	**27.7**	**702.5**
Memo: movement in EPRA adjustment (trading properties)	**—**	**28.0**	**—**	**—**	**28.0**	**2.7**	**—**	**30.7**
Comprising:								
Effect of IFRS 15 adoption[1]	—	(3.1)	—	—	(3.1)	(0.8)	—	(3.9)
EPRA adjustment on sites sold[1]	—	(4.7)	—	—	(4.7)	—	—	(4.7)
EPRA adjustment on retained properties	—	35.8	—	—	35.8	3.5	—	39.3

1. Classified as EPRA adjustments reversed as properties sold or profits recognised in below commentary.

From the above table you can see that investment properties generated £5.8 million of revaluation surpluses in the year (under IFRS) with a further £39.3 million derived from revaluing retained trading properties (wholly owned and held by joint ventures) at the EPRA level. Against this, £4.7 million of EPRA adjustments have been reversed as properties have been disposed of or profits recognised.

Of the total £45.1 million uplift, £24.6 million (54.5 per cent) was the result of the revaluation of our interest in Waterbeach following the grant of outline consent for 6,500 homes. Alconbury Weald, Wintringham and Priors Hall strategic land sites contributed a further £6.5 million, £3.8 million and £4.6 million respectively and Catesby planning consents generated a further £1.4 million of uplifts.

The revaluation movements in respect of Alconbury Weald, Wintringham and Priors Hall reflect on-site progress, both in terms of sales and infrastructure works (which have resulted in a reduction in the discount rates that CBRE apply to their valuation cash flow models) and Catesby uplifts are derived from changes in planning status of several of its promotion sites. Alconbury Weald remains the Group's most significant property asset comprising 40.7 per cent of the total property portfolio value.



Consolidated statement of comprehensive income continued

Taxation expense

The tax charge as a proportion of profits has increased over recent reporting periods as historic tax losses have been utilised and changes in legislation have restricted how much of these historic tax losses can be utilised in any one period. In the 12 months to 30 September 2019 the Group's tax charge of £3.7 million amounted to 22.7 per cent of profit before tax, higher than the 19 per cent UK corporation tax rate; predominantly due to share based payments and costs such as depreciation being either non-deductible or non-deductible until settlement in the case of share-based payment costs. Taxable profits relate in most part to residential property sales and Catesby disposals.

Dividend

The Board proposes to pay a final dividend of 2.5p this year; subject to shareholder approval at the AGM on 6 February 2020. Assuming the final dividend is approved, this will mean that the total dividend for the year amounts to 3.9p, up 11.4 per cent over the prior year and broadly in line with the Group's EPRA NNNAV growth.

The final dividend will be paid on 21 February 2020 to those shareholders on the register on 10 January 2020. Investors choosing to participate in the dividend reinvestment scheme will need to make their election by 24 January 2020.

The Group paid its 2018 final dividend of 2.2p per share (£3.2 million) in February 2019 and the interim 1.4p per share (£2.0 million) in July 2019.

Consolidated balance sheet

Overview

	At 30 September 2019			At 30 September 2018		
	Group £m	Joint venture and associates £m	Total £m	Group £m	Joint venture and associates £m	Total £m
Investment properties	52.9	—	52.9	86.9	—	86.9
Trading properties	307.0	143.1	450.1	273.8	116.5	390.3
Properties within PPE	3.2	—	3.2	3.7	—	3.7
Properties[1]	363.1	143.1	506.2	364.4	116.5	480.9
Investment in joint ventures and associates	121.3	(121.3)	—	103.4	(103.4)	—
Trade and other receivables						
Non-current property[1]	45.9	22.1	68.0	20.4	11.6	32.0
Current property[1]	6.7	5.6	12.3	10.9	—	10.9
Current – other	11.8	12.6	24.4	18.1	10.0	28.1
	64.4	40.3	104.7	49.4	21.6	71.0
Cash	24.4	3.0	27.4	16.6	0.5	17.1
Borrowings	(129.3)	(47.6)	(176.9)	(94.9)	(21.3)	(116.2)
Deferred tax liability (net)	(5.9)	—	(5.9)	(4.1)	—	(4.1)
Other net liabilities	(35.0)	(17.5)	(52.5)	(45.8)	(13.9)	(59.7)
Net assets	403.0	—	403.0	389.0	—	389.0
EPRA adjustments – property[1]	95.5	20.5	116.0	67.4	17.9	85.3
EPRA NAV adjustments – deferred tax	8.5	—	8.5	6.9	—	6.9
EPRA NAV	507.0	20.5	527.5	463.3	17.9	481.2
EPRA NNNAV adjustments – deferred tax	(30.5)	—	(30.5)	(23.1)	—	(23.1)
EPRA NNNAV	476.5	20.5	497.0	440.2	17.9	458.1

1. Total property related interests: £702.5 million (30 September 2018: £609.1 million).

Non-current assets

Investment properties

Investment properties at 30 September 2019 amounted to £52.9 million and comprised the commercial development area at Alconbury Weald (£43.0 million) and a proportion of the Group's interest in the Waterbeach site that could deliver both commercial buildings and residential properties for rent in due course (£9.9 million).

The Group's total period-end property portfolio, irrespective of balance sheet classification, was valued at £702.5 million, 94 per cent by independent valuers CBRE and 6 per cent by Directors.

Investment in equity accounted joint ventures and associates

The Group's Rugby joint venture has been included in the balance sheet at £86.6 million, which along with a half interest in the 351 apartment Manchester New Square development (£15.2 million), a one-third interest in a 2,800 plot site at Wintringham, St Neots (£17.0 million) and £2.5 million of other residual interests, combine to form an overall Group investment in joint ventures and associates of £121.3 million.

During the year joint ventures generated £8.0 million of profits for the Group (£7.0 million at Rugby and £1.0 million at Wintringham) and received £9.2 million of loans from the Group to fund development and infrastructure works at Rugby, Wintringham and Manchester New Square.

Non-current trade property and other receivables

The £45.9 million disclosed on the face of the balance sheet comprises both the non-current proportions of the acquired Priors Hall receivables and the discounted values of the contractual minimums and pre-completion discounted overages with Hopkins Homes, Morris Homes, Crest Nicholson and Redrow at Alconbury Weald, Kier at Priors Hall and Avant and Bellway at Newark.

Equivalent receivables (Urban&Civic's share) are owed to the Rugby joint venture by Crest Nicholson (£4.0 million) and again Morris Homes (£5.8 million) and Redrow (£12.1 million) and to the Wintringham joint venture by Cala (£5.8 million).

All sums due will be received as and when the houses to which they relate are sold, or if earlier, when the housebuilders are contractually obliged to pay minimum sums.

Current assets

Trading properties

The carrying value of trading properties increased by £33.2 million in the year to £307.0 million.

This increase was the result of capital expenditure of £38.3 million (including £35.8 million in respect of Alconbury Weald, Priors Hall, Waterbeach and Newark development works), capitalised overheads amounting to £5.1 million, capitalised finance costs of £3.1 million and £41.9 million of reclassified investment properties – all net of £54.5 million of disposals (including residential disposals at Alconbury Weald, Priors Hall and Newark of £44.9 million and £6.1 million in respect of the sale of Catesby sites) and £0.7 million of written off land promotion and other projects costs; where it was decided not to progress.

Cash

Group cash balances at the year-end totalled £24.4 million, up £7.8 million since last year-end; largely due to sales receipts (£54.0 million) and loan drawdowns (£42.0 million) exceeding development expenditure (£45.8 million), loan repayments (£5.3 million), loans to joint ventures (£9.2 million) and other expenses (£27.9 million).

Sales receipts comprised £23.1 million of Catesby promotion receipts (including cost reimbursement), £26.3 million of residential sales receipts and £4.6 million of commercial sales receipts.

Liabilities

Current and non-current borrowings

The Group has put in place four new facilities during the year (totalling £85.8 million). The first was a five year extension to the expiring £40.0 million Revolving Credit Facility with HSBC Bank, the second was an £8.6 million, three year and ten month, housebuilding facility at Alconbury Weald with Homes England, the third was a £26.0 million infrastructure loan for our Wintringham joint venture, again with Homes England, and the last facility was an £11.2 million investment facility with HSBC against our hotel in Deansgate, Manchester.

In addition to these facilities and following the receipt of outline planning consent at Waterbeach, terms have been agreed in respect of a ten year, £60.6 million infrastructure facility. Urban&Civic will be the borrower (i.e. it will be on balance sheet) with security provided by the landowner (the MOD). This will significantly reduce recourse to the Group. The facility will help accelerate delivery at Waterbeach.

At the year-end, total Group borrowings amounted to £129.3 million (30 September 2018: £94.9 million) with the Group's share of joint venture borrowings adding a further £47.6 million (30 September 2018: £21.3 million).

Drawings predominantly funded infrastructure expenditure at Alconbury Weald, Priors Hall and Wintringham and construction costs at Manchester New Square and Civic Living, Alconbury Weald.

Financial resources and capital management

The Group's net debt position at 30 September 2019 totalled £104.9 million (30 September 2018: £78.3 million), which after taking into account the Group's cash reserves produces a net gearing ratio of 26.0 per cent (30 September 2018: 20.1 per cent) on an IFRS NAV basis and 19.9 per cent (30 September 2018: 16.3 per cent) on an EPRA NAV basis. A large proportion of this increase relates to Homes England drawings (including Civic Living house building facilities, which will be repaid when homes are sold).

Our Homes England infrastructure facilities are typically long dated and only require us to repay an agreed proportion of the loans when we distribute proceeds (i.e. we are typically not required to repay the full amount of the distribution in priority to Homes England); if there is an agreement to recycle distributable funds into further project works then no repayment will be made at that time.

Financial resources and capital management continued

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 28.3 per cent (30 September 2018: 20.6 per cent). The increase is predominantly due to ongoing development works at Manchester New Square, where the joint venture's capital costs are being fully met by £75.6 million of development facilities. These facilities will be repaid out of apartment sales proceeds when phased practical completions commence (expected in the second quarter of next year).

Gearing on all measures continues to remain within our self-imposed limit of 30 per cent, even including the shorter-term Civic Living and Manchester New Square development facilities.

	At 30 September 2019				
	Group £m	Proportion of Group borrowings	Joint venture and associates £m	Look-through £m	Proportion of look-through borrowings
Homes England	99.0	76.6%	23.6	122.6	69.3%
Corporate RCF	16.3	12.6%	—	16.3	9.2%
Manchester New square	—	0.0%	24.0	24.0	13.6%
Other	14.0	10.8%	—	14.0	7.9%
Borrowings	129.3	100.0%	47.6	176.9	100.0%
Cash	(24.4)		(3.0)	(27.4)	
Net debt	104.9		44.6	149.5	
EPRA NAV	527.5			527.5	
Gearing	19.9%			28.3%	

The Group's weighted average loan maturity at 30 September was 6.7 years (30 September 2018: 7.9 years) and weighted average cost of borrowing on drawn debt was 3.8 per cent (30 September 2018: 3.3 per cent).

The Group has no loans maturing over the next three years, except for the Newark Homes England facility (£9.2 million currently drawn), the Deansgate hotel facility (£11.2 million) and the joint venture development loans at Manchester New Square. The Newark facility is amortising along with residential plot sales and is due for repayment by March 2021 and the Manchester New Square borrowings will be repaid from sale proceeds as previously noted. The term of the Deansgate facility will be reviewed once new hotel management arrangements (which are currently under discussion) are finalised.

The Group continues to assess its long-term viability using the procedures set out on page 33 of the 2019 Annual Report and Accounts.

David Wood
Group Finance Director
27 November 2019

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 34 to 43.

The Directors' detailed viability assessment was made in respect of a five year period ending 30 September 2024, although where the duration of a particular development project extended beyond five years, the lifetime business plan for that development was reviewed to ensure commitments beyond five years did not impact ongoing viability.

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

- the Group's annual strategic review covers a five year period;
- serviced land sales contracts in respect of the Group's strategic land sites, which account for over eighty 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, 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 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.
- 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 maturing facilities have been set out on page 32 of the Financial Review.

Severe downside scenario

For this year end, the Group has assumed that half of the forecast uncontracted land promotion receipts are delayed by six months, that sites currently under a planning appeal are refused and that ten per cent of forecast promotion receipts are fully abortive. Also, to provide an even more severe test, we have assumed that sales rates at the strategic land sites are reduced to minimum levels as provided for by contracted licence arrangements; these combine to form an extreme downside scenario which reduces the base case cash flows by a maximum of £58 million during the five year review period. Mitigating actions that could be taken to address such a reduction include making further drawings from the Group's Revolving Credit Facility, stopping or slowing discretionary investment into new projects, reducing discretionary site expenditure and selling land parcels, rather than entering into licence arrangement, at possibly reduced prices.

The Board is satisfied that these mitigating actions will insulate the Group's against the severe down 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 30 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 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 128.

This long-term viability statement was approved by the Board on 27 November 2019.

David Wood
Group Finance Director
27 November 2019

Risk review

Where can I find...?

Principal risks
pages 38 to 43

Long-term viability statement
page 33

Board risk oversight
page 72

Audit Committee activities on risk framework and internal controls
page 100

Risk environment

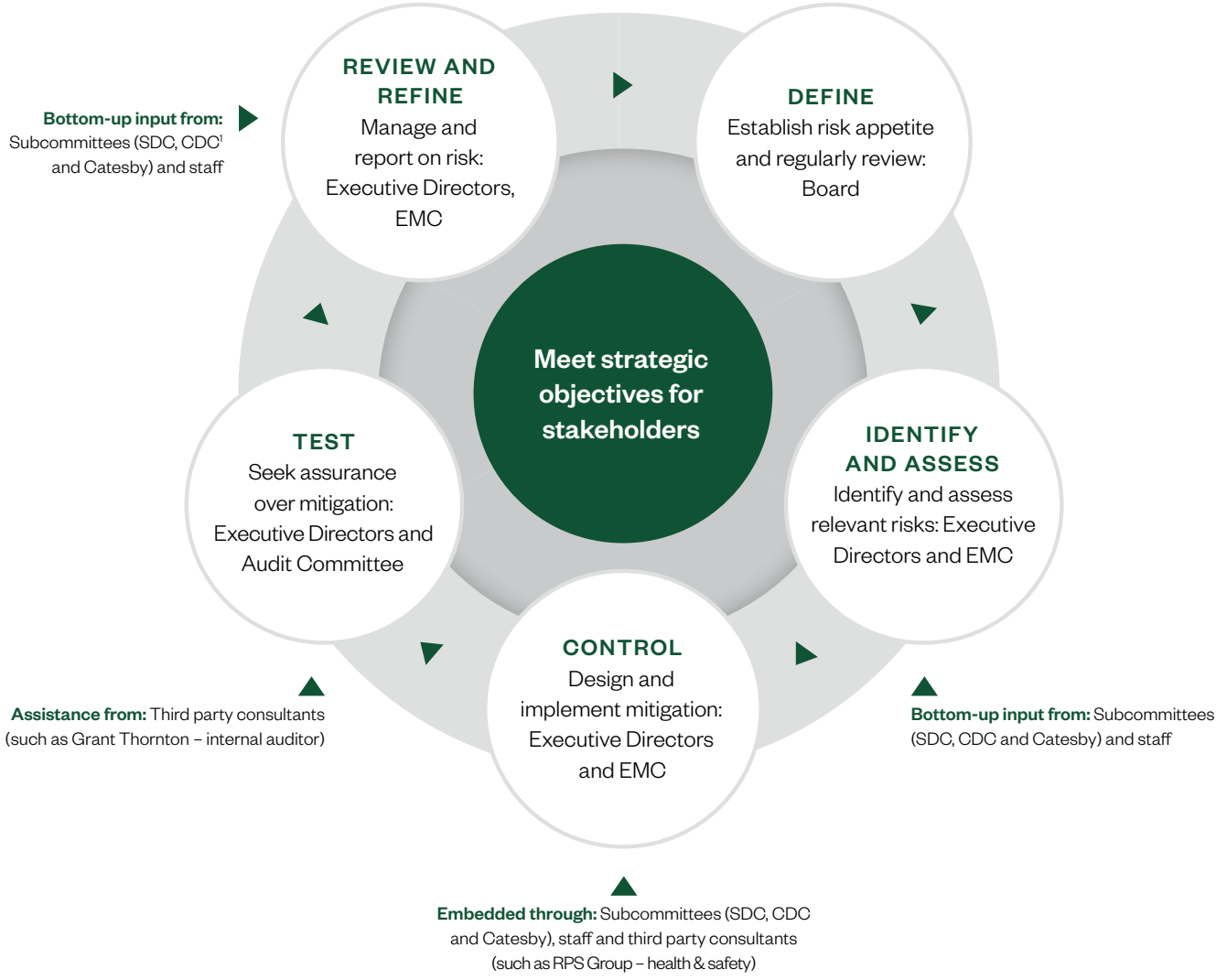
Our risk management framework is established, monitored and managed in the knowledge that:

- a large part of the Group's operations is focused on facilitating UK regional housing development and delivery;
- 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; and
- the ability to acquire development sites and bring them forward, so that homes may be built, is heavily dependent on our in-house skillset.

Principal areas of focus in 2019

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

- Board and Executive Management Committee (EMC) reviewed key risk registers together with a summary of corporate and business unit level risks (including emerging risks) at each meeting.
- 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 completion of the initial three-year internal audit programme (carried out by Grant Thornton), with three internal audits being undertaken on health and safety, investment and divestment and outsourced contracts management. Each audit was undertaken to an Audit Committee agreed scope. A follow-up assessment of previous internal audit recommendations was also carried out and concluded that all agreed and due actions had been implemented.
- Audit Committee agreed a further three-year internal audit programme, which will see all key risks covered and provide assurance that the Group's internal controls are appropriate, in place and functioning.
- Board monitored the political and economic environment at each Board meeting, including giving consideration as to what might be the impact of the UK's exit from the European Union over the short, medium and longer term.
- Health and safety consultants RPS Group continue to be employed to oversee periodic reviews of the health and safety practices at the Group's sites and offices.
- New employee induction programmes have helped to reinforce the Group's risk appetite from the outset.
- More detailed credit checking processes for the Group's subcontractors and suppliers were instigated.



1. The terms SDC and CDC are defined in the glossary.

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

- establishes the nature and scale of risk that the Group is prepared to take (risk appetite);
- identifies and assesses risks applicable to the Group's strategy and operations (both existing and emerging);
- designs and implements mitigating actions, controls and procedures;
- seeks assurance over the effectiveness of those mitigating actions, controls and procedures; and
- manages the Group's risks on an ongoing basis against risk appetite, acknowledging that risk cannot be fully eliminated.

Risk management framework

Our risk management framework has remained largely unchanged during the financial year, although through additional training and internal discussion, the understanding of the framework and how to report risk under the framework has become more embedded, stable and consistent across the Group.

Urban&Civic's operational size and regional office network provide the Group with an opportunity to collate, assess and mitigate risks effectively, but only if supported by effective communication and reporting up, down and across the Group. The EMC and Subcommittees (Strategic Development Committee or SDC, Commercial Development Committee or CDC and Catesby) continue to act as hubs for this communication and both play 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 continues to have 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 segment Subcommittees.

The Audit Committee reviews the adequacy and effectiveness of the Group's financial and non-financial internal controls and risk management systems on behalf of the Board. The Audit Committee also monitors and reviews the external audit, including the auditor's report. The work undertaken by the Audit Committee in relation to risk during the year and its anticipated 2019/20 work programme are further set out in the Audit Committee report on pages 99 to 105.

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

Key features of our risk management framework

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

Risk management framework components

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

- Risk appetite table (see below).
- Risk heatmap (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.

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.	▶

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

Our risk focus over the shorter term

The UK has been in a well publicised period of uncertainty since the EU membership referendum decision in June 2016, and this looks set to continue for a period given the recent announcement of a December general election and an extension to the Brexit deadline. While a no deal hard Brexit would see the UK leave on World Trade Organization rules (with its associated tariffs and regulations), the current direction of travel appears to lean towards a softer deal (with an agreed transition period). 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 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: 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). 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 housebuiders). While sales rates and demand for land parcels from the housebuilders have maintained to date, we cannot say for certain that this trend will continue. Building up forward sales of £101.7 million (with minimum annual contracted receipts of £30.7 million) has been a key feature in the Board's strategy to manage any short-term disruption (Brexit or otherwise).
- **Values** – post the EU referendum the value of our strategic land portfolio has continued to grow (reflecting maintained demand, sales rates and pricing); however, falling values (on the back of falling demand, sales rates and pricing for example) would reduce loan covenant headroom. At 30 September our principal valuation loan covenant, in a subsidiary, is based on EPRA net asset value, which would have to fall by 43 per cent before this gearing covenant was breached. 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 constant stress that falling values may create (as referred to in the previous paragraph), increased 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.
- **Sustainability** – including climate change is an increasing focus for the Board. Our approach to sustainability is set out on pages 48 to 63.

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 one higher than last year having added climate change as an amber risk. Of the other ten 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) although none have crossed the threshold to either amber or red categorisations from previously assessed levels. One risk has moved down and two have remained the same. The movements are discussed in more detail below.

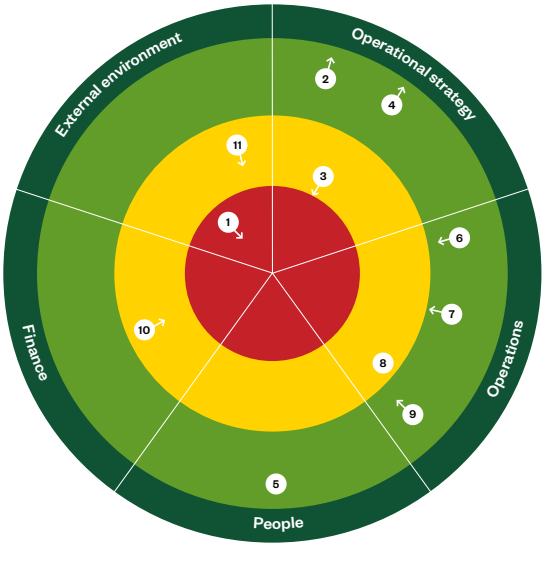
Risk after mitigation

High Medium Low

→ Movement in the year

Key

R1.	Market risk	**R7.**	Planning risk
R2.	Strategic risk	**R8.**	Health and safety risk
R3.	Competition risk	**R9.**	Delivery
R4.	Legal and regulatory risk	**R10.**	Financial
R5.	People risk	**R11.**	Climate change
R6.	Cyber 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 10 and 11

Risk rating after mitigation:

- Low
- Medium
- High

Change during the year:

- Increase in risk
- No change
- Decrease in risk

Read more on our KPIs pages 12 and 13

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; Health and Safety.

Impact of risk

The business model may be affected by external factors such as 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 better quality, bottom-up, information.
- When making decisions consideration is given to external markets, dynamics and influences.
- Press, economic data subscriptions, industry forums and adviser updates are used to keep executives up to date in respect of external markets.
- Regional focus and local knowledge in areas with strong underlying economics (such as job creation) mitigate the impact of market and economic shocks.
- Increased focus on putting in place 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-year, five-year and ten-year) 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 (reflecting reduced investor appetite).
- Increased construction cost.
- Press or social media narrative (may provide an early warning).

Movement description

- Although the Group's sales rates and pricing points at its strategic sites have been maintained, the UK's general economic position has weakened (largely due to a weaker global economy and uncertainties around Brexit). This weakening could ultimately lead to potential homebuyers postponing 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.
- 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.
- Increased scrutiny around economic, social and corporate governance (ESG) by stakeholders increases compliance risk and risk of penalties for breaches.

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 produces 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

- EMC and other Subcommittee meetings are now held just prior to Board meetings – providing better quality, and timely, bottom-up information.
- Third party internal auditor reviews in respect of investment and divestment decisions, outsourced contract management and health and safety have provided additional assurance to the Executive Directors, Board and Audit Committee.
- Confirmation (by Grant Thornton – our internal auditor) that previously agreed and due recommendations from prior period internal audits have been implemented now received.
- Reported variances to the business plan have not caused the Board undue concern over the last 12 months, which helps demonstrate that current processes are supportive of a reduced risk rating.
- Continued improvements in Board reporting have provided additional comfort that issues around operational strategy, which could be picked up through operational reporting, have been.

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, land owners, 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

- Like last year, our competitors continue to benefit from strong cash generation and capital availability, particularly in strategic land and land promotion segments.
- Institutional investment, such as Legal & General's acquisition of a strategic land site in North Horsham, is becoming more common, which increases direct competition for sites.
- As planning consents get harder to achieve (see planning key risk on page 41 for details), site availability reduces, thereby increasing the risk of competition.

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; Health and Safety.

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

- Increasing ESG requirements and a new governance code and accounting standards have increased the risk in this area.
- Increased use of advisers and training have helped to mitigate this risk, as has a third party internal audit on health and safety.
- A further review of GDPR across the Group is ongoing (following its introduction in May last year), which should provide additional assurance.
- The Group has introduced governance checklists to help ensure compliance with legislation.
- A new electronic training system (iHASCO) has been rolled out to augment face to face training. Areas such as money laundering, bribery, whistleblowing and equality will be covered by this training method.

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.

Typical risk indicators

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

Movement description

- Introduction of an employee advisory group in progress. 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.
- New HR Manager appointed.
- Annual performance appraisal process embedded.
- New induction process to help monitor/reinforce corporate culture.
- Learning and Development Manager now fully employed in delivering staff training.

Despite these improvements this risk has been maintained at the same level as last year (which is low post-mitigation).

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 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.

Typical risk indicators

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

Movement description

- Hardware and software upgrades (including move to Office 365) completed and ongoing.
- New service agreement signed with third party IT support (The Final Step).
- Data recovery processes tested in the year.
- Quarterly review meetings now established with The Final Step to discuss network performance and work programmes.
- Weekly reports on IT performance received.
- Internal audit recommendations were all implemented.

The above progress has produced a stable IT environment and the small increase in risk rating (which is not sufficient to turn this risk to amber) is due to the general increase in the number and complexity of cyber attacks that UK business is encountering.

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).

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

- During the year, appeals and judicial reviews have, in our experience, become more likely in the absence of full local authority support. Achieving this support may be harder to achieve given a significant number of local authorities have gone to "no overall control" and the politics of planning has become more changeable. This has therefore increased likelihood of not achieving consent, but the Group remains confident it has the experience to work within these constraints.

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; Health and Safety.

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

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

- Internal audit on health and safety matters (undertaken by Grant Thornton) now complete.
- RPS Group role now established (although scope is likely to be expanded).
- Increased health and safety awareness training.
- Induction process for new staff now includes health and safety matters.
- Health and safety booklet periodically issued to all staff.
- A fatality post year end (at one of our housebuilders' construction sites at Alconbury Weald) reminds us to keep vigilant at all times on health and safety matters.
- Updated health and safety policy and procedures in place.

Despite the improved working practices set out above, the risk rating has been held until the internal audit recommendations have been actioned.

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 audit findings.
- Subcontractor or customer default.

Movement description

The Group's approach to delivery remains largely unchanged, although during the year the Group enhanced its credit check procedures (content and frequency) in response to current economic uncertainties. These uncertainties have caused us to increase this risk's rating this year (although the risk remains low).

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.

Typical risk indicators

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

Movement description

- Additional contractual minimums with housebuilders at the Group's strategic land sites continue to improve certainty over short-term cash receipts (subject to ongoing viability of the counterparty housebuilder).
- Reduced commercial portfolio has increased the financial risk as the Group becomes more strategic land focused.
- Additional Homes England facilities (on Civic Living and Waterbeach – where the loan is in documentation) have or will accelerate delivery of these projects and reduce the Group's equity requirement (which helps to mitigate the financial risk); however, introducing more debt and covenants into the Group's capital structure, increases financial risk.
- A five-year extension to the HSBC revolving credit facility was agreed in March 2019 and a new £11.2 million facility in respect of our hotel at Deansgate, Manchester was put in place in August 2019 (also with HSBC). Increased borrowing and additional covenants, like increased Homes England borrowing, increase financial risk.
- On balance (and in light of the above movements) the Board considers there to be an increased financial risk this year, predominantly due to increased borrowings and covenants.

External environment

R11. Climate change

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; Trees planted.

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 is a clear global imperative that has increased in importance over a relatively short space of time.
- Investors and other stakeholders have made an increased number of enquires on this matter over the last 12 months.

The Group has started to formalise its approach to sustainability by the extensive review of sustainability metrics at Alconbury Weald and the identification of five key sustainability capitals. This builds upon the work already undertaken at each site and during the course of 2020 this will then be further developed into a Sustainability Framework with specific business wide metrics and targets.

Risk rating after mitigation:

Low Medium High

Change during the year:

Increase in risk No change Decrease in risk

A scaleable model of success

Over the last ten years, the business has grown and evolved through a number of key stages. Originally a private equity backed property start up in 2009, focused on changing the large scale strategic land market, we became a public company in 2014 through the reverse takeover of a commercial development business and then added Catesby in 2015. These component parts still form the bedrock of Urban&Civic ten years on and we have spent the last five years adding more strategic sites, earning stakeholders' trust, delivering demonstrable quality and implementing robust internal commercial and risk focused procedures. As such, we have an established a fully scalable business model to continue to do things the right way and deliver further strategic sites in key growth locations.

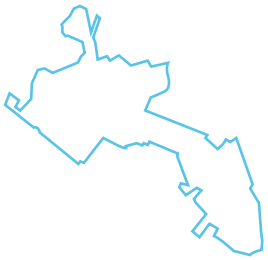
ROBIN BUTLER —
MANAGING DIRECTOR

Strategic land

Our strategic projects are large scale, predominantly brownfield areas of land for mixed-use housing led development.

Whilst a number are owned outright, Urban&Civic have extensive historic and active experience of working in partnership with like-minded land owners and investors to deliver significant projects. Our current partners include Aviva Investors, the Nuffield Trusts, the Defence Infrastructure Organisation, the Wellcome Trust and the Church of England. We also work extensively with Homes England to accelerate infrastructure delivery. All parties share our focus on quality.

Each project is at a slightly different state of maturity requiring Master Developer focus from across the skills of our team and allowing us to run a portfolio of projects whilst maintaining active senior management involvement.



Alconbury Weald Cambridgeshire

In delivery – 100% interest

1,425 acres

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

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

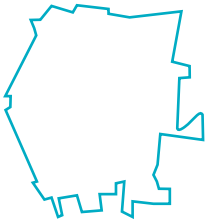
Wintringham St Neots Cambridgeshire

In delivery – 33% interest

400 acres

2,800 homes consented

455 serviced land plots sold or contracted



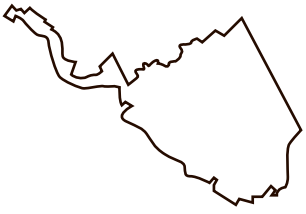
Waterbeach Barracks Cambridgeshire

In delivery – 9% interest

716 acres

6,500 homes consented

1. Plus option to acquire 100 per cent of commercial land (including PRS) and 35 per cent of residential land.



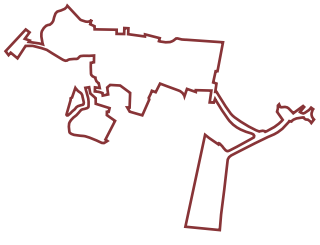
RadioStation
Rugby

In delivery – 50% interest

1,170 acres

6,200 homes consented

862 serviced land plots sold or contracted



Middlebeck
Newark

In delivery – 82% interest

694 acres

3,150 homes consented

382 serviced land plots sold or contracted

Priors Hall
Northamptonshire

In delivery – 100% interest

965 acres

4,320 homes consented

782 serviced land plots sold or contracted

Manydown
Basingstoke

In planning

794 acres

3,500 homes anticipated

Calvert
Buckinghamshire

Pre-planning

785 acres

5,000 homes anticipated

Tyttenhanger
South Hertfordshire

Pre-planning

2,000 acres

4,000 homes anticipated

For more detail on our strategic sites view our pdf brochure at: **www.urbanandcivic.com**

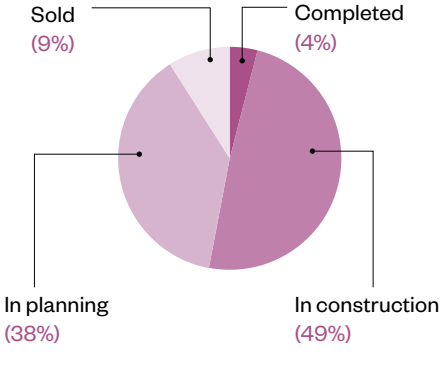
Commercial

Completion of the three residential blocks at Manchester New Square is programmed between April and September 2020. This joint venture with the Greater Manchester Pension Fund accounts for around a half of this segment's £78.7 million value.

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

Total square footage:

797,000 sq.ft.



Sold 9%

Scale:

71,000 sq.ft.

Sites sold during the year:

2

Sites:

- Bude, Cornwall
- Canningford House

Completed 4%

Scale:

31,000 sq.ft.

Sites completed:

1

Sites:

- Hudson Quay

In construction 49%

Scale:

394,000 sq.ft.

Sites in construction:

1

Sites:

- Manchester New Square

In planning 38%

Scale:

301,000 sq.ft.

Sites in design/planning:

2

Sites:

- Deansgate, Manchester
- Westside, Wolverhampton

Manchester New Square

Westside, Wolverhampton

Catesby Estates plc

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

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

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

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

Who we have sold to:

REDROW

BARRATT HOMES

Bellway

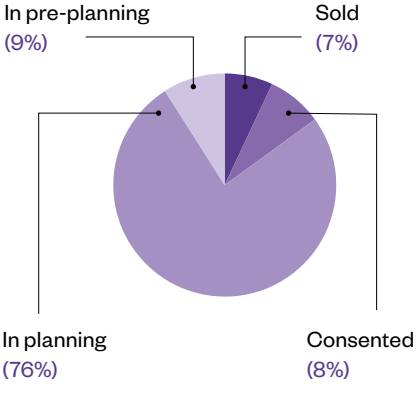
BEWLEY HOMES PLC

ANDERSON

Where quality lives David Wilson Homes

Total acreage:

2,147 acres



Sold 7%

Scale:
152 acres

Sites sold:
9

Sites:

- Willingdon
- Haughley
- Bude
- Longhedge, Salisbury
- Farnham
- Europa Way one parcel
- Sudbury
- Bertram
- Great Gransden

Consented 8%

Scale:
177 acres

Sites consented:
8

Sites:

- Shefford
- Europa Way one parcel
- Crowborough
- Kilmarnock
- Bude
- Fenwick
- Kedleston
- Armadale

In planning 76%

Scale:
1,634 acres

Sites in planning:
44

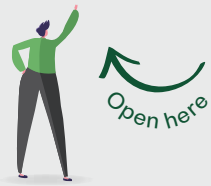
Sites:

- Longhedge, Salisbury
- Marston Moretaine
- Witchford
- Cropredy
- Marcham
- Cosby
- Bromsgrove
- Fleckney
- Boxford
- Headcorn
- Harrold
- Willingdon
- Alfold
- Crowborough
- East Horsley
- Didcot
- Kenilworth Woodside
- Balsall Common
- Crew Lane, Kenilworth
- Red House Farm, Leamington
- Pulborough
- Hoddesdon
- Middleton Cheney
- Stanstead, St Margarets
- Countesthorpe
- Hampton Lane, Solihull
- Hellingly
- Meriden
- Finchampstead
- Wyatts Green
- Southwater
- Wooton
- Bourne End
- Godstone
- North Weald
- Stoke Poges
- Shillington
- Radlett
- Ardleigh
- Wylde Green
- Melksham
- Heswall
- Southmoor
- Lychett Matravers

In pre-planning 9%

Scale:
184 acres

Sites pre-planning:
4



Our approach to sustainability

Given our 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 a Master Developer, we recognise that both the journey towards delivery and the delivery itself must embrace an approach that is holistic and ensures we leverage the investment we are making for the benefit of the communities where we operate. Sustainability has always been part of this ethos and it is interwoven throughout our corporate DNA. We are proud of the places we have created and the impacts we have achieved to date, many of which have been described in the pages of previous reports.

As Urban&Civic has grown, so has the need to formalise our approach to governance at a business and a project level and sustainability is no exception. We have, however, been aware for a while that standardised means of assessment do not accurately reflect the role of the Master Developer and that simply applying these would not generate the intelligence or the yardsticks that will support us in our endeavours to do more.

During 2019 we have therefore commenced a sustainability review in order to be able to adopt a Sustainability Framework in 2020 which is tailored to the Master Developer model. We have undertaken this review with input from across our internal stakeholders and using expert advice from our consultants. Over the course of this year we have looked at the common principles that have been established via our approach to community engagement and jobs and skills together with the design guides and sustainability statements that have underpinned our delivery. In addition, with have analysed our core business risks, including climate change (see page 43), formally defined our core values (see page 14) and reviewed our engagement with key stakeholders (see pages 80 and 81). Through this series of steps we have distilled a number of sustainability capitals and objectives that are at the heart of who we are and what we do.

As part of the sustainability review, we have also carried out a deep dive into Alconbury Weald, our most significant strategic site, to look at the range of data currently available and what additional information may need to be gathered. The review is ongoing but has so far confirmed that we are creating value in five capitals: physical, social, economic, natural and human, all of which reflect our own values and the importance we place on building quality communities that bring people together, whilst enhancing the environment now and for future generations.

Our performance at Alconbury is illustrated on the fold-out beneath this page and the five capitals are discussed and applied to the wider business subsequently. Very often activities such as community tree planting will incorporate a range of capitals and so classification within one capital should not be regarded as ignoring the others. Creating quality places with lots of outdoor space (physical) promotes community (social), and means people can lead healthier lifestyles (human) and are more likely to get involved and maintain the environment (natural).

The preliminary assessment that follows forms the basis for further engagement in 2020 with both internal and especially external stakeholders. As the Master Developer we create the framework for the strategic site, so it will be vital to engage and partner with our housebuilder customers given their role in delivering the homes, as well as the authorities and communities in and around the sites which we are developing to discuss their priorities. Being a company that has always sought to do things right, we are extremely supportive of the increasing market focus around sustainability and are keen to engage with others to establish a meaningful and progressive Sustainability Framework for large site delivery.

Our ambition for 2020 and beyond is to develop this approach, continuously refining the framework and seeking to align our capitals and objectives with relevant international objectives such as the UN's Sustainable Development Goals (SDGs). We fully anticipate that this will include the setting of targets and minimum standards to apply across our portfolio which will help inform our decisions, drive further innovation and guide our teams right across the portfolio.

This staged approach to the creation of a framework will enable us to create something which is both useful and reflective of our Master Developer role. Most importantly it will help us continue to do things right and make a positive contribution. For large site delivery, we are on a journey with our partners, stakeholders and customers to understand what matters to them, what will make a difference and how we can directly effect change, influence behaviour and provide the competitive nudges which will encourage everyone to do better and aim higher. We welcome your feedback on the approach to date and your involvement in the journey to come.

CASE STUDY

Big Summer Bash at Alconbury Weald

Urban&Civic hosted the Big Summer Bash at Alconbury Weald on a warm summer's day in June, as a celebration to mark a key milestone in the development of the growing community. More than 600 members of the public flocked to see local cricketers take part in what we hope will become a regular event. Visitors were entertained throughout the day by the first cricket match ever to be played on Alconbury Weald's new pitch, coaching sessions, baking masterclasses, face painting and live music.

Guest of honour and former Huntingdonshire MP The Rt Hon Sir John Major KG CH officially opened the new cricket pitch, alongside former England cricket stars Charlotte Edwards and Lydia Greenway. The match itself was organised by Cricket East and played out by local players who had expressed an interest in finding a new cricket club, and to help inspire the future generation of Huntingdonshire cricket stars, Charlotte and Lydia held a super-skills coaching session for boys and girls, giving them a taste of the game.

"Having grown up in Huntingdonshire there is no better sight than to see a new cricket pitch, with new players all getting involved and wanting to play cricket. This is a fantastic new facility for the community and hopefully a catalyst to get more people excited about the game."
Charlotte Edwards CBE

"Having lived in the area for many years, I am delighted to see what Urban&Civic has achieved, here at Alconbury Weald, to encourage sports participation and active and healthy lifestyles. It gave me great personal pleasure to "open" the new pitch, which will be used by many generations to come. Hopefully, before long, we will uncover our next Charlotte Edwards."
Sir John Major

Economic

Incubator workspace:
- 2,740m² of flexible incubator floorspace for small and start-up businesses provided to date

Total business floorspace:

71,028m²

of total commercial floorspace built

Innovation:
- Innovation in the demolition of reinforced aircraft hangars reduced time spent on each hanger from 23 to four days
- Significant disruption and capital costs saved through early engagement with Anglian Water to route pipework away from public highway

Contractor procurement:
- 100% of directly procured contracts over £1 million from within a 25-mile radius
- We have three contractor frameworks and six consultancy frameworks

Affordable homes:
- Minimum of 12% within Key Phase 1 with a viability review providing increases per phase to policy of 35%

Job creation:
- EDGE – Jobs and Skills:
  - 774 people provided with Information, Advice and Guidance (IAG) since EDGE started with 267 placed into employment
  - EDGE has held six career fairs to date, with c.500 students visiting per fair
  - EDGE carries out ten school engagement events per year, in addition to the career fairs
- EDGE Construction and Skills Centre:
- 775 hours of training provided via the Construction and Skills Centre
- 136 learners are employment ready and are actively job seeking
- 16 learners successfully employed
- Five housebuilder partners engaged with the jobs and skills programme (Redrow, Breheny, Morris, RG Carter and Crest Nicholson)

S106:
- £10.8 million committed through S106 for education and transport facilities in 2019

Social

Staff engagement:
- 420 hours' employee time supporting community programmes in 2019
- 100% of on-site staff volunteering time for local community groups

Community events:
- Three major events in 2019 – Big Summer Bash, Christmas Carols and Outdoor Cinema
- Weekly community activities supported through provision of space
- Extensive planning consultation events for outline and Key Phase applications

Considerate Constructors Scheme:
- All directly appointed contractors are members
- Average score of 38.5 (out of 50) achieved by our directly appointed contractors to date

Community beneficiaries:
- Seven advisory groups, school boards, networks and trusts supported including Fusion, Groundwork, Huntingdon BID, iMET, Ermine Street Church Academy, Natural Cambridgeshire and Cambridge Ahead
- 18 community groups sponsored within a 25-mile radius
- 14 community groups supported for over three years

Natural

51,000+

trees will store over 170 tonnes of carbon each year

Trees for life:
- Within Key Phase 1 there will be c.51,000 trees from over 87 different species:
  - providing a tree canopy cover of 33%; this compares to the average canopy cover across the UK at 17%;
  - storing over 170 tonnes of carbon each year;
  - removing a total of 1.24 tonnes of airborne pollutants each year;
  - creating total leaf area of 74.5ha;
  - reducing runoff by an estimated 1,630m³ a year; and
  - with a total replacement cost, on a like-for-like basis, of £4.77 million

Energy
- Average energy performance certificate for five commercial buildings delivered by Urban&Civic is 25 (A Rating)
- 139.4 tonnes of CO_2e produced from the new buildings operated by Urban&Civic

Biodiversity net gain:
- When completed Key Phase 1 is predicted to achieve a 3.7% net gain in biodiversity value

Materials:
- 31% of new grey infrastructure by tonnage is from material recycled on site
- 86% of new green infrastructure by tonnage is from material recycled on site

Water use:
- All homes are designed with water saving fixtures to help residents only use 110 litres of water per person per day; this exceeds building regulations of 125 litres; per person per day

Public open space:
- 100% of our green infrastructure has five-year management plans for both ecology and landscaping

Priority species:
- The design of landscaping and ecology corridors protects multiple priority species of birds, bats and bees

Sustainability in action:
Alconbury Weald Key Phase 1

The PLANNING AWARDS 2019
Celebrating excellence in planning and placemaking

Design:
- Winner of the Mixed Use Development of the Year – Planning Awards 2019

Public space:
- 49.6% of Key Phase 1 is public open space
- c.261m² of public open space per resident
- 100% of homes are no more than 69m from a green corridor
- 100% of homes are no more than 147m from a play area

Education facilities:
- Ermine Street Church Academy, opened September 2016 – 2FE (2,432m²) to date
- iMET Building, opened 2018 – 3,124m²

Renewable energy:
- Housebuilders are required to provide a minimum of 10% of the energy for their homes from sustainable or renewable sources
- Solar panels on the roof of all commercial buildings, providing 37,408kWh of electricity per year, saving approximately 19,786kg of carbon per year

Land remediation:

89ha

of land returned to usable development platform to date; this is equivalent to the size of 108 football pitches
- 489,000 tonnes of concrete taxiways excavated, processed and reused on site and 445,000 cubic metres of material remediated to date

Physical

Bringing heritage to life:
- Grade II listed Second World War watchtower – fully refurbished and opened as a community facility and office opened in 2019 – 210m²

Sustainable transport:
- 12.8km of dedicated cycle routes provided to date
- All homes are within a five to six minute walk of a bus stop

Healthy eating:
- Ermine Street Church Academy allotments opened in November 2018
- 1727m² of permanent growing space provided across Key Phase 1
- 1590m² of orchards provided across Key Phase 1

SPORT ENGLAND

Healthy lifestyles:
- Alconbury selected as a case study for Sport England's Active Design Principles
- In addition to footpaths, cycleways and exercise trails, the Club building houses an on-site gym

Households:
- c.300 homes occupied

Human

Emergency support:
- 79% of dwellings are within 250 meters of an Automated External Defibrillator (AED)

Mental health:
- Eight employees have completed mental health first aid training

Health and safety:
- 91% of on-site employees have attended a health and safety briefing in the last six months
- 100% of the on-site project management team have attended a CDM course within the last 12 months
- 22% of on-site employees are trained fire wardens and 11% are trained first aiders
- There have been no RIDDORs on site since 2017
- Three safety meetings held per quarter

Physical

Our approach

"Creating high quality places is absolutely what we do. We tailor the designs of our sites to create long-term physical value and increase the longevity and walkability of our places."

Everyone agrees: the UK needs more housing and it needs housing in places that people want to live in and that provide the services – transport, schools, recreation – that are equally important. Achieving planning for and then delivering large scale sites which make this kind of quality and differentiated housebuilding possible, with increasing levels of market absorption, is our job as a Master Developer.

Our mantra that "flexibility is better than prophecy" ensures we design our developments with the ability to evolve and respond to innovations and changing trends. We continue to create places that support people to live sustainable and healthy lives, designing sustainability into our sites from the very beginning. Travel planning is an essential part of this, to ensure people living and working on our sites can access what they need quickly and sustainably.

To support our approach within this capital, we consider the following objectives describe what we do and ensure we create long-term physical value across our developments:

Unlock value through physical infrastructure

The physical infrastructure we build, such as schools, bus stops, roads and utility services, not only generates links with the existing communities, but it also provides value to the communities we create. As a Master Developer, we seek to recycle, decontaminate and reuse materials wherever possible on site and we embed "Active Design" Principles at each stage of our design process.

In combination this enables us to deliver a sustainable and considered structure of multifunctional green spaces and public realms that are well connected to homes and jobs, creating everyday opportunities. We are also a signatory to NHS England's Healthy New Towns Network.

Develop a future-looking and flexible energy strategy

The way we power homes in the UK is rapidly changing; this is why we ensure that our energy strategy for each development is flexible and meets the changing demands of the future. Our mantra continues to be based upon a fabric-first approach to embed energy conservation and use within the design as well as continuing to utilise self and regenerated energy through photovoltaic, ground source heat pumps, battery storage, hot waste water recycling, etc. However, we recognise that dependence on electricity from the grid will not provide the solution to our future energy supply strategy alone and are investing in off-site generation from sustainable and renewable sources of energy alongside localised on site generation and recycling of energy. This will also require close working and alignment with our housebuilder customers which are responsible for the delivery of the homes on our sites.

Resilience to climate change

We acknowledge the UK government's commitment to achieve net zero carbon by 2050, and the part new housing developments have to play in achieving the transition to a low carbon economy. As part of our approach to build places that are resilient to the impacts of a warming climate, we are already modelling the potential effects of the future decarbonisation of our utilities network and changing building fabric requirements as part of all technical and financial appraisals.

CASE STUDY

Delivering Active Design

An essential component of the approach to designing and now delivering new development at Alconbury Weald has been the embedding of Sport England's Active Design Principles.

In 2019, Alconbury featured as a Sport England case study which stated:

"An important aspect to ensuring the success of embedding the Active Design Principles into the scheme has been the long term 'Master Developer' role that Urban&Civic (U&C) have taken. U&C have retained the long-term overall control of the site, which ensures that there is proper phasing of build out and adherence to the design principles and vision for the overall development."

Sample metrics from Alconbury KP1:

S

489,000
tonnes of concrete taxiways excavated, processed and reused on site

12.8km
of dedicated cycle routes provided to date

One
Grade 2 listed Second World War watchtower fully refurbished and opened in summer 2019 as a community facility and office

89ha
of contaminated land remediated and returned to a usable development platform to date

CASE STUDY

Restoring heritage

The remarkable Second World War-era RAF Watch Office has been restored at Alconbury Weald. The Grade II listed building has been transformed into a library and heritage space for the community to use. Built in 1940-41, the Watchtower was the first permanent control tower at Alconbury. The Watchtower is an outstanding example of a standard type build for bomber satellite stations during the Second World War. Only 214 were built in the UK in total, with just a handful remaining.

Taking almost one year to complete, the Watchtower had to be restored with the original features retained or reinstated where possible, including external stairs, timber door sets, original walls and flooring, a roof access ladder and the roof balustrade, breathing new life into the period features. The result is an outstanding new heritage space to be enjoyed by many generations to come.

"It has been an honour to work on a restoration project of such high historical significance. We are pleased that Urban&Civic has integrated this fine example of war-time architecture into the masterplan, ensuring it benefits the community by raising awareness of the heritage of the site and providing new facilities."
Nick Armour, Local Conservation Officer at Huntingdonshire District Council

We are building upon the current SAP (Standard Assessment Procedure) and SBEM (Simplified Building Energy Model) modelling, air tightness test data, and daylighting and thermal modelling on each of our commercial buildings to understand the impacts of our fabric-first approach employed to date on any potential overheating scenario and on the performance of the buildings and comfort of the people who use them. In addition, we install extensive Sustainable Urban Drainage Systems (SUDS) to ensure appropriate ground water management. All drainage systems are designed for one in 30-year flows with overland flows and attenuation to one in 100-year events, such flood data is under constant review as external modelling is updated by our statutory partners.

Bring heritage to life

The development of large-scale sites creates new places, but it is essential to anchor those places in the site and the surrounding area's heritage to provide a genuine sense of place. Whilst this does not mean preserving everything it does require a sympathetic, creative and proactive approach to heritage. From the recent restoration of the listed watch tower at Alconbury to the incorporation of the listed C-Station Building at Houlton into the new secondary school we also seek to ensure that heritage buildings have a long-term viable future and will be fully adopted by the new community.

Design sustainable transport

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

We promote a culture of cycling and walking and have integrated these considerations into our plans right across our portfolio of sites; this aims to not only limit the impact of our new developments on existing transport networks, but to also encourage our residents to enjoy healthy lifestyles. Working at scale, this means that we have already delivered over 28km of cycle routes within our sites alone. At Alconbury Weald one of our founding principles has been to deliver a "walkable community", ensuring that all residents have the option to walk to schools, shops and parks. As a result, all homes have been designed to be within a 5–6 minute walk of a bus stop and a 10–12 minute walk from a local shop. At Houlton, Rugby, the link road, which opened this year, also incorporated a dedicated footpath/cycleway providing direct access to the town and allowing a sustainable option for commuting to the station.

Build quality outdoor public spaces and facilities

We create quality outdoor public spaces and facilities for people to enjoy. As part of our design we ensure that the provision of the green infrastructure network and also core community facilities, such as cricket pitches, allotments and schools, is available as soon as possible and continues to grow with the community. Our role as Master Developer is to ensure that these essential community infrastructures meet the daily needs of the new residents. At Priors Hall, this year where we took over an existing development, we have delivered eight play spaces, two fitness areas, a new community café and a dedicated on-site Urban&Civic office and planted over 46,000 trees to ensure that this site not only has the provision originally intended but is also uplifted by our focus on quality and our belief in the importance of this capital.

Social

Our approach

"We want to create vibrant communities that bring people together. We do this by forging strong relationships with residents and local stakeholders, supporting the services and activities they want and need, and nurturing a culture of community citizenship."

With our sites at different stages and in different areas, our activities at each project vary but our Master Developer objectives remain the same. Our engagement with local communities starts early, as no one knows their area better than the people already living there. We want to incorporate that knowledge into our plans from the outset. We develop community hubs and schools early whilst also supporting events and organisations in response to specific local needs. We encourage our people, our customers and our contractors to get involved with community projects that support our sites, and to donate their time and enthusiasm to charities beyond our developments.

Whilst we have a long-term alignment during delivery, it is vital that these developments become thriving and independent communities. Our work to create physical assets which create spaces for community and nurture a culture of community engagement, by providing advice and support to advisory groups, school boards and trustees, ensures people come together and are empowered for generations to come. We are proud of the communities that flourish in the places we create.

To support our approach within this capital, we consider the following objectives describe what we do and ensure we increase social value across our developments:

Support the community

Looking at the type of support we provide to communities from the offset ensures we take a whole-life approach to creating community cohesion. We sit on a number of advisory groups, school boards and trusts, and in particular the support we provide to the schools we build ensures that we are the curators of the wider communities around them. This enables us to play an active role in supporting our schools' performance and ensure that, as well as being high quality buildings, they become high performing schools.

Bring people together

Creating communities is ultimately about bringing people together and inspiring positive behaviours. To facilitate this, we hold regular local community events; for example, at Houlton, Rugby, in May 2019, TV ecologist Mike Dilger and Warwickshire Wildlife Trust experts took residents on a Really Wild Adventure with a series of nature-inspired games and educational presentations.

This is part of our ongoing commitment to connecting the community with nature and is an example of an activity creating value and co-benefiting multiple capitals.

CASE STUDY

Strategic involvement in schools in Rugby

As a founding member of the Houlton Multi-Academy Trust (MAT), which runs our first primary school on site, our involvement has been extensive – reaching far beyond the traditional developer role of designing and building schools. Following our innovative collaboration with the Diocese of Coventry, we have overseen the visioning and strategic direction of the MAT, developed and helped articulate our collective ethos, as well as providing strategic direction, financial management and performance standards.

At Governor level within St Gabriel's Academy, this best manifests itself in our ability to forge strong links between the school and other local stakeholders involved in the creation of Houlton such as our housebuilders who in 2018–19 supported the school through purchasing books for the library and creating a Forest School. Most importantly, through our role in the school, we are able to get to know local families and children and watch them grow and flourish in our new school communities.

As we now embark on the development of a secondary school at Houlton, we do so upholding the common principles we lay down in all Urban&Civic schools and that were evident in the development of St Gabriel's, being investment in design, rooting in history and retaining a long-term stake for Urban&Civic, all underpinned by partnership working at every level. Our invitation to be involved at both Director and Governor level in the Transforming Lives Educational Trust which will run our new secondary school, along with several other within the town, is testament to the added value and development expertise we bring to this sector.

Sample metrics at Alconbury KP1:

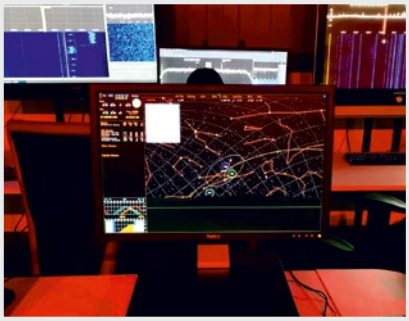
S

420 hours
of employee time supporting community programmes in 2019

7
advisory groups, school boards, networks and trusts supported in 2019

18
community groups sponsored within a 25-mile radius to date

38.5
average CCS score achieved by our directly appointed contractors to date



CASE STUDY

Connecting the community through science

We have recently provided the East Anglian Astrophysical Research Organisation (EAARO) with an existing and vacant building at Alconbury which they have converted into a new space observation centre dedicated to the search for extra-terrestrial intelligence (SETI). With the installation of a two petabyte data centre donated from General Electric, the centre has the processing power and space to store and sift through the weak radio signals that reach the UK from space.

EAARO, founded in 2011, is on a mission to inspire interest in science, technology, engineering and mathematics (STEM) subjects through the wonders of space. The team of three which runs EAARO hopes to appeal to all ages, invigorate an interest in space exploration within the local community and engage local schools. The new building has also allowed EAARO to throw its doors open to the public, with recent events including get-togethers to watch meteor showers and demonstrations of how radio waves can be bounced off the super-heated trails of meteors, resulting in a distinctive sound.

Given that Houlton was once the world's most powerful radio transmitter and was used by a self-proclaimed British interplanetary psychic in 1926 to try to send a message to Mars, we may now, through Alconbury, also be home to the means of listening for the response.

Engage with stakeholders through design and operation

At a business level, our community engagement extends to active market and governmental involvement. We regularly hold site visits for key stakeholders and recently showed the boards and senior officers of the Ministry for Housing, Communities and Local Government (MHCLG) and Homes England around Alconbury to explain the Master Developer approach in action. We hold regular consultation meetings with the existing community throughout the planning process, to ensure we listen and respond to what the local community needs. In addition, we encourage our housebuilder stakeholders to meet the principles of the Considerate Constructors Scheme (CCS). The scheme scores contractors on a set of standards on their site presentation, management and, above all, neighbourliness. All of our direct contractors are currently registered with the scheme and achieve an average score of 38.5 out of 50.

Partner with third sector organisations

We continue to invest significantly into community initiatives in the places we work through sponsorship. At Rugby, for example, we have been supporting the wider community for many years. As a stakeholder in the town, our work to create Houlton and position Urban&Civic as a credible and trusted local partner began back in 2015 when we embarked on building relationships and integrating into the wider community and social fabric of Rugby through involvement in a range of initiatives and events. Our partnerships continue with Rugby Borough Council's Festival of Culture and Rugby in Bloom and with Rugby FM's Pride of Rugby Awards amongst others. These all provide great opportunities for us to introduce the new community of Houlton and support much-needed local causes. In total, we support around twelve initiatives in Rugby with investment of over £30,000 per year.

Volunteer

We encourage our people, our housebuilder customers and our contractors to get involved with community projects that support our sites and now have several roles which are dedicated to supporting and developing site communities. This year alone, Hopkins Homes has enabled Ermine Street Church Academy at Alconbury to purchase 15 djembe drums as part of a new initiative designed to support its students' reading and writing, and Morris Homes funding for the allotments at the school has now underpinned the creation of a weekly nature group.

Economic

Our approach

"By building lasting partnerships and leveraging our investments, we aim to create a positive economic impact for our local communities, both during development and in use."

We promote innovation and entrepreneurship, investing in the areas where we work. We are continuously seeking opportunities to help local people into construction and upskill the existing workforce. We run work experience schemes with local schools and recruit apprentices and trainees from within our communities. We consider the longer-term economic impacts of our developments and advocate that all procurement decisions prioritise local businesses. Supporting local business puts money back into the local economy, driving prosperity for local people.

Within 100 miles of London, there is a shortage of quality homes from across all tenures and operating at the Master Developer scale provides the opportunity to help meet those needs. Although each site has a different composition, all sites will generate space for businesses to dcvelop whether they be servicing the residential need like cafés or shops or standalone enterprises requiring incubator or much larger space. We understand the need for an effective mix of uses and work to ensure that these uses are mutually beneficial.

To support our approach within this capital, we consider the following objectives describe what we do and ensure we create lasting partnerships and increase economic value across our developments:

Harness local identity and entrepreneurship

The Master Developer role enables us to work with partners to shape the vision for a new community right at the start of the planning process. Through this process at Alconbury Weald, we identified that there was a shortage of office space for small and start-up companies and responded to this local need by building an award-winning incubator before anything else, which is now home to eight companies with 220 employees. This year we opened a second incubator, with both buildings providing flexible and inspiring space to help grow local companies. We have seen companies move from Incubator 1 to the larger space in Incubator 2, demonstrating how our approach to support a range of companies and organisations has helped them expand further on site. Cambridgeshire County Council's decision to move from its costly six-acre Shire Hall site in central Cambridge, to a smaller, more flexible purpose-built building alongside the Incubators at Alconbury, which will open in December 2020, further establishes Alconbury's civic/business hub status.

CASE STUDY

Anglian Water – co-operative relationships leading to wider savings

At Alconbury, initial discussions with Anglian Water identified the need to provide extensive off site works to deliver a suitable supply of clean water to the site. During the course of these discussions, we collectively identified an alternative and innovative approach to reinforce Anglian Water's wider existing network of clean water distribution by running a new strategic reinforcement main through our land from Huntingdon rather than along the existing adopted highway of Ermine Street through the Stukeleys, which saved the excavation of over 4km of public highway with the commensurate disruption that would have caused to both transport and general movement over a nine-month period. Undertaking the design and construction of the works in this manner not only positively corrected the potential environmental impact of the scheme but also contributed positively to the financial viability of the strategy for the overall development.

Sample metrics at Alconbury KP1:

S

100%
of directly procured contracts over £1 million from within a 25-mile radius

2,740m²
of flexible incubator floorspace provided to date, for up to 350 people to work for small and start-up businesses

£10.8m
committed through S106 for education and transport facilities

6
career fairs have taken place to date, with over 500 students visiting per fair

Focus on long-term employment

Our developments actively seek to leverage our investment to create a positive economic impact, both during development and once in use. We have a dedicated full-time in-house lead who supports skills development across our sites and is actively engaged with a range of organisations such as EDGE, the local jobs and skills partnership which we helped establish, and iMET, the on-site advanced training centre at Alconbury for which we donated the land. iMET continues to build its unique role in delivering business-led courses and high level technical apprenticeships across the local area, focusing on advanced manufacturing and the built environment. With 16 apprentices enrolled across civil engineering, composites and digital courses, iMET will be expanding next year with the launch of mechatronics and machinist courses. Our business engagement and regular industry events continue to draw target sectors to Alconbury Weald and alongside EDGE ensures that skills remain a core part of the economic development strategy for the wider area. Furthermore, the Alconbury Weald Construction Training Hub, funded by a grant from the Construction Skills Fund and also run through EDGE, directly supports local people and target groups into construction training jobs. The project works with five of our housebuilder partners and contractors to engage local training partners, charities and organisations supporting people returning to work, as well as local schools and colleges. 225 learners have commenced training to date, with 136 learners now employment ready and seeking jobs.

We are also working alongside the West Midlands Combined Authority on a hub as part of the Houlton project.

Promote economic opportunities and social inclusion

The diverse range of housing, in terms of size, type and tenure across our sites, generates a range of opportunities for people getting on the housing ladder, moving up it or downsizing. We work with our housebuilders and affordable housing providers to ensure that the opportunities for government support, such as Help to Buy, are properly harnessed. Our planning contributions, however, include not only investment in affordable housing but also community facilities, transport infrastructure, schools and green spaces. During 2019, we contributed £15.5 million through our S106 planning obligations used for education and transport facilities.

Buy from the local community

As a Master Developer, it is our policy to procure services from the local economy first. To date, 100 per cent of contracts under our control have been located within a 25-mile radius of each site. This is monitored by our procurement team and it is part of our ethos to put money back into the local economy to help it thrive. We are also delighted that the cafés operating on site at Alconbury, Houlton, Priors Hall and Middlebeck are all run by local businesses which are starting up or expanding their operations and also make exceedingly good cakes.

CASE STUDY

Giving apprentices the EDGE

2019 has been another great year for the EDGE Jobs & Skills Brokerage which via local partnership has yet again demonstrated its drive to deliver Information, Advice and Guidance (IAG) to local job seekers, support local businesses with their recruitment needs and raise career aspirations amongst local school and college students.

EDGE has now delivered IAG to over 774 local job seekers, many of whom have gone onto employment, volunteering or training and education as a result of our interventions. Furthermore, in terms of local schools and educational establishments, EDGE has been able to widen its programmes beyond Alconbury to incorporate both Wintringham and Waterbeach this year supporting and delivering meaningful engagements to over 700 students across seven secondary schools as well as driving the regional apprenticeship agenda by hosting Cambridge County Council's annual apprenticeship celebration at Alconbury Weald in March.

With the return of the EDGE Annual Careers Fair at Alconbury Weald in December, for students from seven local schools, hosting over 500 students for the day, EDGE is at the heart of helping all ages broaden their employment horizons.

Natural

Our approach

"We build in harmony with nature to protect the existing value and make a positive contribution to the environment."

As a Master Developer, the environmental impact of our operations is a key consideration in everything we do and operating at scale is both a challenge and an opportunity in this regard. We reuse materials on site wherever possible and recycle materials we cannot reuse. We measure and report our greenhouse gas emissions and work to minimise our carbon footprint – all new buildings are designed with efficiency in mind and we are continuously making improvements to increase the operational efficiency of our portfolio.

Across our strategic sites we not only work to preserve and promote biodiversity, we ensure that our developments provide a net biodiversity gain and green infrastructure and access to green spaces are delivered as soon as possible. Another key criteria for us in terms of building sustainable green spaces is to educate the community about their role and their value beyond the obvious visual and amenity benefits. This is so that as the sites mature, the community continues to protect and enhance these assets.

To support our approach within this capital, we consider the following objectives describe what we do and ensure we enhance natural value across our developments:

Create valuable, accessible and educational green and blue infrastructure

Our research into the benefits of green and blue infrastructure investigates how well-planned spaces can provide benefits to both physical and mental health. This directly links back to the physical capital where we discussed "Active Design" and "Healthy New Towns". In all cases we seek to develop a green infrastructure and movement strategy from the outset which is then given direct effect through each phase's design codes. We have found that a significant user of our green spaces and therefore people purchasing homes on our developments are dog owners. This is because they can directly access the green spaces and take their dogs for a long walk without leaving the site. We use on-site information boards and events as well as school projects to then provide information on the flora and fauna all around them. Working at scale means that across all of our projects we have already created 88.6ha of public open space and have planted over 136,000 trees, 72,000 of which were planted this year.

Enhance biodiversity and ecological value

Our commitment to increasing ecological value on our developments is not new, but we have refined our approach to measuring the value of nature we provide this year.

CASE STUDY

Treeconomics at Alconbury Weald

Treeconomics is a social enterprise that seeks to highlight the benefits of trees and works to understand how they improve our urban spaces, making them better places to live. Given the number of trees we plant each year, we worked with Treeconomics this year on the data set for Alconbury Weald to assess our projected tree stock for Key Phase 1 and understand its objective value. This was done using a variety of assessment tools and methods, including the most widely used i-Tree Eco model. From this we learnt that once the first phase of Alconbury is complete. 51,130 trees, from 81 different species, will remove over 1.24 tonnes of airborne pollutants, and store over 170 tonnes of carbon, every year. We also found that after rainfall the projected extent of water held in the tree canopy cover of 24.85ha before it evaporates, will divert 1,630m^3 of storm water runoff away from local sewer systems, providing annual discharge savings of £2,500.

This data can now be used to provide further education about Alconbury's trees, assist with mapping the future benefits of further tree planting across future phases and undertake a gap analysis to help inform which trees are needed to optimise ecosystem services. Given that trees grow with the development so does their replacement value which for the trees within Key Phase 1 stands at £4.8 million.

Sample metrics at Alconbury KP1:

S

100%
of new build commercial buildings achieve an EPC rating of A or B

51,000 trees
will store over 170 tonnes of carbon each year

100%
of our green infrastructure has five-year management plans

3.7%
net gain in biodiversity value to be achieved when completed

CASE STUDY

Waterbeach hosts the launch of Natural Cambridgeshire's Doubling Nature Initiative

Urban&Civic was delighted to host Natural Cambridgeshire Partnership's announcement of ambitious plans to double the area of rich wildlife habitats and natural green space across Cambridgeshire and Peterborough over the next 30 years at Waterbeach in July.

The Doubling Nature initiative has been drawn up by the partnership – which includes local authorities, statutory agencies, conservation charities, community groups and developers like Urban&Civic – with the aim of creating a world-class environment where nature and people thrive, and businesses prosper.

The Doubling Nature Initiative was launched by Tony Juniper, Chair of Natural England and James Palmer, Mayor of the Cambridgeshire and Peterborough Combined Authority, at separate events at Waterbeach Barracks and the Hamptons, Peterborough, both of which have been heralded as outstanding examples of how high-quality housing development can deliver new areas of nature rich landscape.

We have partnered with external consultants BMD to develop our "Healthy Infrastructure Toolkit" using the Warwickshire County Council calculations to assess biodiversity gains. As part of this we have committed to meeting a net gain on two recent outline planning applications – Waterbeach and Wintringham – and at Alconbury Weald with the current design we will achieve a net gain of 3.7 per cent once completed. We are currently looking at ways to better understand the other benefits that our green infrastructure assets are providing and record, measure and communicate those benefits to investors, stakeholders and residents. We have started this process through our research work with Treeconomics at Alconbury Weald, which uses unique software to understand the value of the existing and new tree stock on site. Trees are vital to healthy ecosystems and make them better places to live. We are committed to planting more trees across our developments to improve the environment and wellbeing of the residents. The data we are collecting will allow us to make better management decisions about our natural assets in the future.

Use resources responsibly

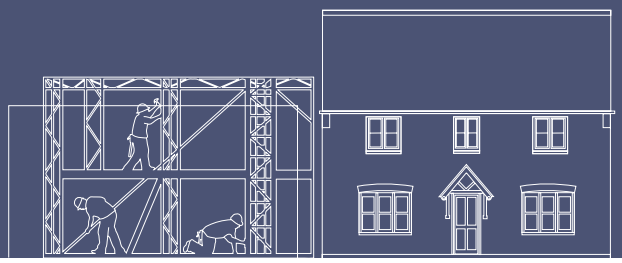
We provide a set of minimum standards within our design guides to our housebuilder partners that include a range of features in the homes to enable residents to live comfortable lifestyles with minimal impact on the environment. For example, all homes are designed to minimise water usage and use 110 litres per person per day, which is 15 litres less than the current building regulations from 2013. In addition, all of our commercial properties this year have achieved an Energy Performance Certificate (EPC) of an A or B.

Understand our impacts

We reuse materials on site where possible and recycle materials we cannot reuse. At Alconbury over 31 per cent of the materials used for grey infrastructure works is from recycled content. This is primarily road stone and pipe bedding for drainage created by crushing and recycling the concrete old taxiways. In addition, within our green infrastructure works 86 per cent of materials are recycled for reuse, due to our ability to ameliorate the topsoil directly on site. Across our projects we have already remediated over 150ha of land. Any waste produced from our direct contractors is reused or recycled where possible with 89 per cent of their waste diverted from landfill.

Climate change is a core risk to the business (see page 43), and we are committed to driving down our carbon consumption and alleviating our impact on the warming climate. Our greenhouse gas emissions can be seen on page 62, which details our approach to recording carbon across the Group. At Alconbury, for example, the differential between the energy consumed in the old and new buildings is particularly stark. Whilst the wider estate, which encompasses the inefficient former military buildings, uses 87.5 per cent of the total carbon consumed on site, the modern buildings we have developed represent a significant improvement at 12.5 per cent. Other than the listed buildings, the redevelopment of Alconbury will see the demolition of the former military buildings and the continuance of this trend.

Human



Our approach

"It is by focusing on people that we are able to deliver, build and grow. Placing an absolute focus on safety for all, we seek to improve the quality of life for the people in our communities and for our employees we invest in training and promote personal development to ensure they feel empowered and proud to be working with us."

It is essential that we look after the people who work for us as well as those building, working and living on our sites. Health and Safety is a top priority and we review our policy and procedures annually and engage with contractors, housebuilders and other stakeholders to ensure our approach is effective and up to date.

Previous capitals have addressed the environment, opportunities and health of the communities in which we work, and these clearly overlap with our human capital. We also want our people to feel safe, confident and able to grow and therefore encourage and invest in staff at all levels to attend seminars and training courses relevant to their role. We are also committed to regularly engaging with employees and involving them in how the Company is run.

To support our approach within this capital, we consider the following objectives describe what we do and ensure we nurture human value across our developments:

Create high levels of mental and physical wellbeing

It is our responsibility to ensure that the places we design and build improve the quality of life for the people within our communities. We ensure that mental and physical wellbeing is considered at every step of our planning and development process, and we take a number of actions to aid this. For example, we promote healthy eating within the communities by designing allotments into the master plan, and in November 2018 we opened the Ermine Street Church Academy allotments at Alconbury which teach children about health and nutrition.

Foster a culture of safety

We believe in fostering a culture of safety and in taking action to address key issues through behavioural change campaigns. Our health and safety policy is independently audited and reissued to all staff every two years to incorporate recent guidance and legislative updates.

CASE STUDY

Defibrillator awareness training at Houlton

Safety is non-negotiable in our eyes; and this year we noticed a gap in the Emergency First Aid at Work and First Aid at Work courses in providing in-depth training in the use of automated external defibrillators (AEDs). We have therefore joined forces with St John's Ambulance at Houlton, Rugby, to provide regular community training sessions, improve awareness about what they can do, and make defibrillators more accessible. Defibrillators are proven to save lives and are therefore an invaluable addition to our health and safety provision.

To date we have installed four defibrillators at Rugby, and we are committed to providing everyone with the skills needed to use a defibrillator and confidence to know what to do in an emergency. The feedback from the wider community has been really positive and we hope that the knowledge we are proving people may help to save a life one day.

Key achievements at Alconbury:

S

79%
of dwellings are within 250m of an Automated External Defibrillator (AED)

1,727m²
of permanent growing space provided to promote healthy eating

1.2 tonnes
of airborne pollutants removed each year by nature

100%
of commercial buildings have completed thermal comfort modelling

To ensure we influence positive behaviours on our sites we hold regular health and safety consortia meetings for contractors and housebuilders at all our strategic land sites (see case study below). As well as acting as general co-ordination meetings, the frequency of these meetings helps us to identify and resolve issues quickly and reinforces the importance of health and safety to us and our contractors and housebuilders. Now a requirement of our housebuilder agreements, the intention is to expand the scope of the consortia agenda to include matters such as modern slavery and mental health at future forums.

Invest in our people

It is essential for the growth of our business to invest in the skills of all our employees; this year we have implemented a new online training system – iHasco. The online platform provides flexible health, safety and human resource compliance training for all of our employees. We also hold regular in-house training sessions led by team members and our consultants who report on current practice/legislation and allow time for discussion around historical examples/best practice for newer members of the team. In addition, we recognise the importance of improving mental health awareness and providing our staff with the tools to support each other.

We recently trained eight direct employees as mental health first aiders in partnership with Mates in Mind, a charity focused on improving mental health in the construction industry. It addresses stigma and encourages people to talk about mental health issues. We have also held talks on site about mental health awareness for our wider stakeholder community and will be holding a further significant event at Alconbury on "Blue Monday" in January which is claimed to be the most depressing day of the year. At a Group level, we continue to take action to ensure that our business and supply chain are free of modern slavery in accordance with our Modern Slavery Statement.

Enable people to express their ideas

Within any business but especially a growing business, it is important to give your employees a voice. This year has seen the creation of an Employee Advisory Group through which all staff across all levels of the Company are able to express their thoughts and ideas. We have also increased our use of regular surveys on different topics and our performance review process specifically includes time for a discussion around issues the business is facing and improvements that could be made. This applies equally to the emerging communities and we now have a range of resident forums and associations that we support and engage with regularly.

CASE STUDY

Health and safety consortia meetings

These meetings were originally set up to plan and co-ordinate activities between the Urban&Civic directly contracted works and the housebuilder works at our large strategic sites. Subsequent meetings would then review these activities and understand how matters may be improved going forward.

The meetings were quickly broadened to include operational health and safety matters, with the safety log reports from the previous month being discussed with members and in turn they are invited to share safety moments in order the expand a lessons learnt culture across the site.

Now a requirement of our housebuilder agreements, the intention is to expand the scope of the consortia agenda to include such matters as modern slavery, mental health and sustainability at future forums, advocating the team nature of these large strategic settlements.

At Priors Hall, where such consortia meetings were introduced in March 2018, we have seen a 42 per cent decrease in the monthly resident reported incidents concerning housebuilder activities and a 250 per cent annual increase in NHBC health and safety awards on the site between 2018 and 2019.

GHG emissions

We measure and report our greenhouse gas emissions (GHG), across our entire portfolio, providing a good proxy for our overall environmental impact. Our greenhouse gas emissions statement includes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for the financial year ended 30 September 2019 and includes comparison on a like-for-like basis for the past five years.

	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
Emissions source					
Combustion of fuel and operation of facilities	**1,141**	1,136	1,068	864	708
Electricity, heat, steam and cooling purchased for own use	**1,727**	1,707	1,971	1,879	2,046
Total CO_2e tonnes	**2,868**	2,843	3,039	2,743	2,754
Financial turnover £k	**£102,114k**	£150,398k	£60,333k	£95,168k	£55,478k
Intensity ratio: CO_2e tonnes/turnover £k	**0.0281**	0.0189	0.0504	0.0288	0.0496
Intensity ratio: CO_2e kg/turnover £k	**28.09**	18.90	50.37	28.82	49.64
Intensity ratio: CO_2e kg/turnover yearly % change	**+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).

The scope 1 and 2 emissions reported are for all facilities across the Group under our operational control. This includes all offices occupied by the Group as well as former military buildings at Alconbury Weald which are within Urban&Civic's ownership.

Carbon emissions produced from assets that are not owned by Urban&Civic plc but where the Company is acting under a development management agreement for the assets' development, such as at Waterbeach, are deemed the responsibility of our client and have therefore been excluded from the figures. The assets will be included only when the land is drawn down under the relevant agreement in future periods.

Our overall carbon emissions remain relatively the same, with a marginal increase of 0.8 per cent compared to 2018. Our carbon intensity has increased by 48.6 per cent; however, this is predominantly due to the 31.1 per cent decrease in turnover as the boundaries of our carbon footprint have remained largely unchanged. Due to fluctuations in annual turnover, we recognise that this may no longer be providing easily comparable data trends and we will be looking into using an alternative intensity ratio next year.

The Company's hotel at Deansgate, Manchester, and our site at Alconbury Weald continue to be the largest producers of CO_2 emissions. The hotel remains in operation ahead of a complete redevelopment of that site and is therefore not a medium or long-term use. At Alconbury we continue to redevelop the site from its former airfield use. Whilst ultimately the new development will be served from the new energy sources for the development, at present our ownership includes many pre and post-war buildings occupied by temporary tenants and served from a historical Ministry of Defence energy source whose transformers have inherent energy losses. We have calculated that 87.5 per cent of the energy generated at Alconbury is across this wider former military estate. For the new commercial buildings we have built and are under our control we have incorporated a range of energy saving features including a fabric-first design, installing an efficient Building Management System (BMS), PV panels and LED lighting, to ensure our buildings run as efficiently as possible and keep energy demands low and, as such, only produce 12.5 per cent of the total carbon consumed. Average energy performance certificate for the commercial buildings delivered by Urban&Civic is 25 (A Rating).

We have recently submitted our ESOS Phase 2 compliance energy audit, and we will be fully reviewing the outcome of the report once available and implementing the energy saving opportunities identified where appropriate.

What's next

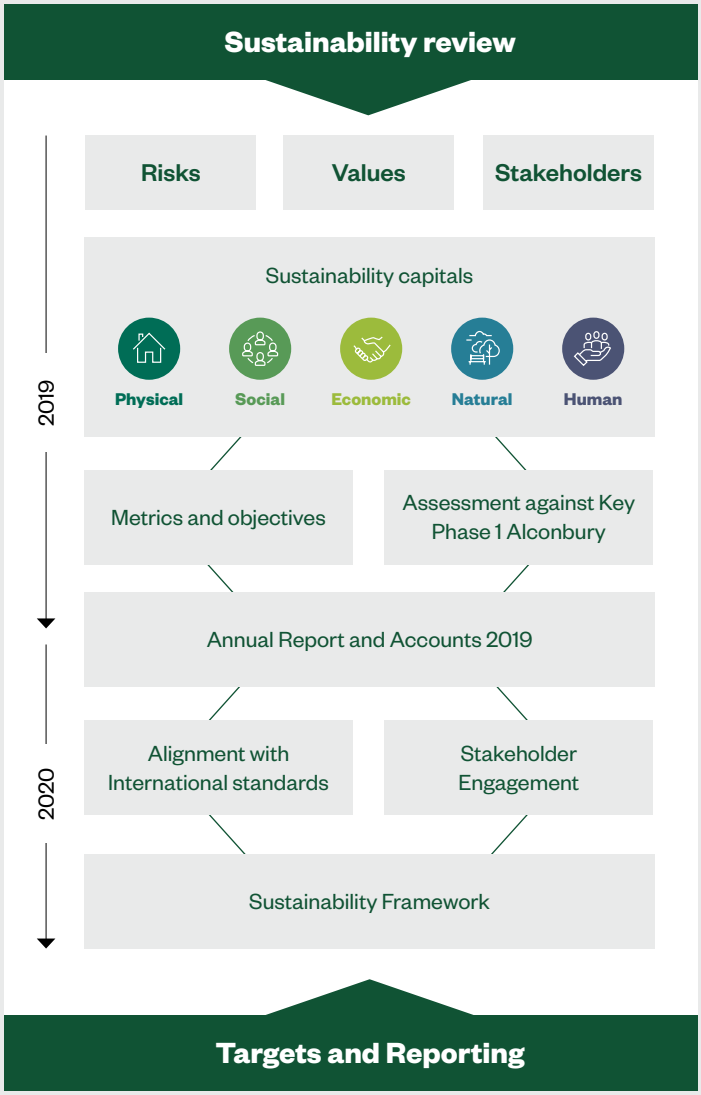
Having always strived to do things right, our staged process to the creation of a Sustainability Framework in 2020 has allowed us to review our activities to date, establish relevant capitals, identify useful metrics and move on to set targets which will ensure continuous improvement and innovation.

The analysis we have undertaken this year has identified the range of Master Developer activities which are delivering meaningful and sustainable benefits right across our stakeholder base and to the environment. As a company and as team we are proud of what we have achieved and are keen to do more both individually and working with those stakeholders.

The creation of a Sustainability Framework with clear objectives, metrics and targets in 2020 reflects the continuation of a journey which, for us, started with the formation of Urban&Civic ten years ago. We believe that operating at scale, whilst bringing significant challenges which we have evolved to address, also creates material opportunities to make a strongly positive difference. The 136,000 new trees, 28km of new cycle ways and 154ha of remediated land delivered to date are still a small proportion of the totals to come from our strategic sites and are as important as the homes delivered.

This is why sustainability has always been fundamental to the way we do business and why we welcome the growing focus and structure which international targets, such as the UN's Sustainable Development Goals (SDGs), have brought. We are working towards a clear Sustainability Framework which reflects the activities and scale of the Master Developer and means we can address local, national and global environmental challenges through our values of quality, integrity, passion, partnership and innovation.

It has often been said that there is no silver bullet to the housing crises and that applies equally to the sustainability challenges we face today. As the leading Master Developer, however, we are determined to be open with our stakeholders on how we are establishing our Sustainability Framework and then how we are performing against it.



The strategic report contained on pages 4 to 63 was approved by the Board on 27 November 2019.

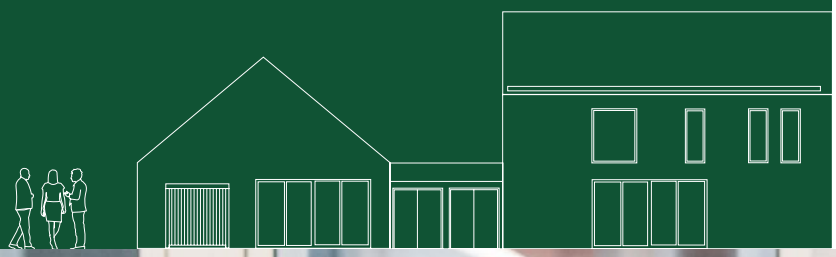
On behalf of the Board

Nigel Hugill
Chief Executive

Governance

Red Admiral butterfly – October 2019
Alconbury Weald

Corporate governance review



This section of the Annual Report contains the following reports:

Dear Shareholder,

This governance section of the Annual Report (including the Nomination and Governance Committee report on pages 88 to 98, the Audit Committee report on pages 99 to 105 and the Directors' Remuneration report on pages 106 to 125) describes how the Company has applied the main principles contained within the UK Corporate Governance Code (the 'Code'). The 2018 edition of the Code (the '2018 Code') is applicable only to accounting periods beginning on or after 1 January 2019 but, given the increasing rigour of the 2018 Code and as explained in last year's Annual Report, the Board has taken the decision to adopt a year earlier than formally required.

The Company confirms that, throughout the year ended 30 September 2019, it has complied fully with the principles and provisions of the 2016 edition of the Code and, other than areas where work is ongoing as explained in the reports, with the principles and provisions of the 2018 Code. Accordingly, set out in the following pages is a demonstration of the Company's compliance during the year ended 30 September 2019 with the 2018 Code, which 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 106 to 125.

A copy of the 2016 and 2018 editions of the Code can be found on the Financial Reporting Council's website at www.frc.org.uk.

During the year, the Board agreed that the Nomination Committee remit should be expanded and, as a result, this committee has been renamed the Nomination and Governance Committee. This committee will oversee all matters relating to corporate governance and will report to and advise the Board on such matters. Whilst the Board retains responsibility for governance, the new structure will enable full and detailed discussion of all governance issues in a dedicated forum. The Committee will report to the Board after every meeting and will make recommendations and proposals as appropriate. The Board will continue to have ultimate responsibility for approval of all Group policies and governance related matters.

During the year, the Board appointed two new independent Non-Executive Directors to the Board and I am delighted to welcome Rosemary Boot and Sanjeev Sharma to the Company. Both bring valuable knowledge and experience to the Board and we look forward to the contributions they will bring to Board discussions. Rosemary's experience includes being chief financial officer of Future Cities Catapult, group finance director of the Carbon Trust and an investment banker. Sanjeev is chief property portfolio officer of M&G Real Estate and was previously Head of Human Resources at NatWest Life Assurance Limited. The Nomination and Governance Committee report sets out the processes to support these changes and the induction programme provided to the new Directors. Both Rosemary Boot and Sanjeev Sharma will stand for election at the 2020 AGM.

The Nomination and Governance Committee considers succession plans for both the Board and senior management, and an explanation of this process is in the Nomination and Governance Committee report.

Earlier this year, Duncan Hunter, our Senior Independent Non-Executive Director, resigned from the Board and following his departure, Ian Barlow was appointed as Senior Independent Non-Executive Director. Ian stepped down as Chair of the Audit Committee although he remained a member of this committee. Jon Di-Stefano was appointed as Chair of the Audit Committee and as a member of the Nomination and Governance Committee. All the above changes took effect on 13 February 2019.

Subsequent to the year-end, Telford Homes (of which Jon Di-Stefano is Chief Executive) was acquired by Trammell Crow Company which is 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. The Board is 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. The Board has therefore agreed that it considers Jon to be independent. To avoid the possibility of any potential or actual conflict of interest in the future in matters relating to the valuation of the Company's assets, Jon stepped down as chair and member of the Audit Committee on 18 November 2019 and Ian Barlow resumed the role of chair on the same date.

Rosemary Boot has been appointed as a member of the Remuneration Committee and the Audit Committee and Sanjeev Sharma as a member of the Remuneration Committee, all with effect from 23 May 2019. With effect from 1 January 2020, Jon Di-Stefano will be appointed as a member of the Remuneration Committee.

I would like to record my grateful thanks to Duncan for his unfailing support and vital contribution to the Group during his tenure as a Director.

Biographical details of all Directors are included on the following pages and our Board and Committee structure and membership is set out in the corporate governance report. In line with the 2018 Code, the specific reasons why the contribution of each Director is important to the Company's long-term sustainable success are set out in the notice of the 2020 Annual General Meeting, posted with this Annual Report.

As a Board, we assess annually the skills, knowledge and experience of the Directors and believe that the Board continues to demonstrate a good spread of background and experience and to operate effectively and in the best interest of the Company and its stakeholders. An analysis of the Board's skillset can be found in the Nomination and Governance Committee report.

Our commitment to good governance extends beyond the boardroom and is strongly supported by management and by the culture of the Group. The Board is working on enhancing our engagement with employees and a description of this process can be found in the corporate governance report.

All Directors will attend the AGM to be held on 6 February 2020 and we look forward to meeting shareholders, who are all invited to attend. The meeting provides a productive forum with the opportunity to present a brief update on the Group's operations and to answer questions by shareholders.

Each Board committee presents its own detailed report in the following pages, including its main activities during the year and the key focus areas for 2019/20.

Alan Dickinson
Non-Executive Chairman
27 November 2019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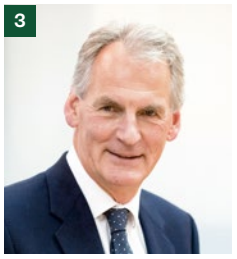
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Committee key

A	Audit Committee
NG	Nomination and Governance Committee
R	Remuneration Committee
EMC	Executive Management Committee
Bold	Committee chair

Tenure is as at 30 September 2019.

1. Alan Dickinson — **NG**
Non-Executive Chairman

Appointed to the Board
22 May 2014

Appointed as Chairman
24 March 2016

Independent
Yes, on appointment as Chairman

Tenure
5 years and 4 months

Experience
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.

External appointments
Alan is a non-executive director of Lloyds Banking Group and a director of the England and Wales Cricket Board. Alan will be appointed as Senior Independent Director of Lloyds Banking Group on 1 December 2019 and will assume the additional role of deputy chairman in May 2020.

2. Nigel Hugill — EMC
Chief Executive

Appointed to the Board
22 May 2014

Tenure
5 years and 4 months

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

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

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

3. Robin Butler — **EMC**
Managing Director

Appointed to the Board
22 May 2014

Tenure
5 years and 4 months

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

Experience
Robin joined Elliott Bernerd in 1985 and in 1986 became a founding director of Chelsfield plc and was a main board director until the sale of the business in 2004. At Chelsfield he was involved in regeneration projects of metropolitan scale and international significance, including Merry Hill, Paddington Basin, White City (now Westfield) and Stratford City in London. He joined Lend Lease Europe in 2005 and was appointed chief executive in 2006. Robin was a founding director of Urban&Civic Limited with Nigel Hugill in 2009, which was a precursor to Urban&Civic plc.

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 — EMC
Group Finance Director

Appointed to the Board
1 July 2016

Tenure
3 years and 3 months

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

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

External appointments
None.

5. Ian Barlow — **A**/NG/R
Senior Independent Non-Executive Director

Appointed to the Board
1 September 2016

Independent
Yes

Tenure
3 years and 1 month

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

External appointments
Ian is a non-executive director of The Brunner Investment Trust plc, Foxtons Group plc and Goodwood Estate Company Limited. Ian will be appointed as chairman of Foxtons Group plc at or before their AGM to be held in May 2020.

6. June Barnes
A/NG/**R**

Non-Executive Director

Appointed to the Board
22 May 2014

Tenure
5 years and 4 months

Independent
Yes

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

External appointments
June is currently a trustee of the Building Research Establishment, a member of the Jersey Architecture Commission and the London Borough of Sutton Design Panel, and a board member of the Hornsey Housing Trust.

7. Rosemary Boot
A/R

Non-Executive Director

Appointed to the Board
10 May 2019

Tenure
4 months

Independent
Yes

Experience
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.

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 a non-executive director of Southern Water Services Limited. 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 of climate change as a business issue with non-executive directors.

8. Jon Di-Stefano
NG

Non-Executive Director

Appointed to the Board
1 September 2017

Tenure
2 years and 1 month

Independent
Yes

Experience
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. He recently played a key role in the group's acquisition by CBRE. Prior to joining Telford Homes, he had one year with Mothercare following five years with Arthur Andersen.

External appointments
Jon is chief executive of Telford Homes.

9. Sanjeev Sharma
R

Non-Executive Director

Appointed to the Board
10 May 2019

Tenure
4 months

Independent
Yes

Experience
Sanjeev has been a director of M&G Real Estate since 2001 and is chief property portfolio officer, where he has global responsibility for portfolio management, operational teams, governance and operational risk. Prior to joining the M&G group, he was Head of Human Resources at NatWest Life Assurance Limited. Sanjeev is a fellow of the Chartered Institute of Personnel and Development.

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

10. Heather Williams
EMC

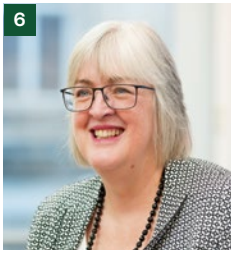
Company Secretary

Appointed
26 August 2015

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

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

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

Introduction
The 2018 UK Corporate Governance Code (the '2018 Code') was published in July 2018 and applies to financial periods commencing on or after 1 January 2019. As explained in last year's Annual Report, the Company is therefore not required to report on its compliance with the 2018 Code until the financial year ending 30 September 2020. We undertook to seek early adoption and to report to shareholders on compliance with the provisions set out in the 2018 Code.

"The Board considers the Company's stakeholders in its discussions and takes account of their views and feedback.

The governance section of the Annual Report (pages 66 to 129) sets out the actions taken by the Board and its committees to work towards full compliance with the 2018 Code.

Key steps taken include:

- A review by each of the committees of its terms of reference and recommendation to the Board to adopt revised terms of reference reflecting the provisions of the 2018 Code and the continued compliance with the 2016 edition of the Code. Subsequent adoption by the Board of a revised schedule of matters reserved for the Board and approval of the updated terms of reference of the Nomination and Governance, Audit and Remuneration committees.
- A review of whistleblowing procedures and agreement that the Board should receive whistleblowing reports at each Board meeting. Previously, this review was the remit of the Audit Committee. During the year, there were no incidents of whistleblowing.
- Analysis of the Group's stakeholder engagement and its compliance with section 172 Companies Act 2006.
- Agreement of the introduction of a mechanism for engagement with employees. Work is ongoing in this area.
- The Board has approved (on the recommendation of the Remuneration Committee) amendments to the rules of the Group's Performance Share Plan and Annual Bonus Plan to reflect the provisions of the 2018 Code.
- The Board considered and agreed a definition of the workforce to ensure consistent and fair treatment in relation to Group policies and practices, whistleblowing, and remuneration and related policies, including pension. This also ensures consistency in the investment in and reward of the workforce and engagement with the workforce.

Leadership structure

The Group has five independent Non-Executive Directors in addition to the Chairman, Alan Dickinson, who was independent on appointment. Ian Barlow has been appointed as Senior Independent Non-Executive Director. The Board has reviewed the composition of the Board during the year and is of the opinion that the current Board and committee structure works effectively and to the benefit of shareholders and the Group as a whole. Given the nature and size of the business, it believes that the balance of Executive and Non-Executive Directors is appropriate and works efficiently.

The Code requires that the Board, its committees and individual directors should demonstrate sufficient knowledge, skills, experience and independence to carry out their respective duties and responsibilities effectively. Appointments to the Board are led by the Nomination and Governance Committee and a description of the process is found in the report of that committee.

The Board has established three committees with a membership of Non-Executive Directors: the Nomination and Governance, Audit and Remuneration committees. The chair and members of these committees are appointed by the Board, following recommendation by the Nomination and Governance Committee and consultation with the relevant committee chair. The committees operate in accordance with their terms of reference which can be found on our website. The Board receives a report from each committee chair at the Board meeting following each committee meeting. Minutes of committee meetings are circulated to the Board following each meeting.

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

Nomination and Governance Committee
page 88

Audit Committee
page 99

Remuneration Committee
page 106

Operation of the Board

The Board held six scheduled meetings during the year. In addition to these meetings, the Board held a Strategy Day and a number of unscheduled Board and committee meetings. These unscheduled meetings were held to discuss ad hoc issues, routine or administrative matters or matters of a time sensitive nature. The Chairman and the Company Secretary, in conjunction with the Executive Directors, identify any requirement for additional meetings. Ad hoc meetings do not necessarily require full Board attendance but all Directors are given the opportunity to attend and to comment on the proposals, with papers being circulated in advance. Directors are expected to attend all scheduled Board meetings, the annual Strategy Day, the Annual General Meeting and all meetings of committees of which they are a member. All Directors in office at the time attended the AGM in February 2019 and the Board strategy meeting held in July 2019. If a Director is unable to attend a meeting they have the opportunity beforehand to discuss any agenda items with the Chairman or with management, and their comments and views will be recorded in discussions at the meeting. The attendance record of the Directors at the scheduled Board meetings is shown on the following page. Attendance at committee meetings is shown in the individual reports of the Nomination and Governance, Audit and Remuneration committees. Non-committee members attend committee meetings by invitation and, where appropriate, members of the senior management team are invited to give a presentation at Board meetings.

The Board considers the Company's stakeholders in its discussions, including shareholders and employees, and takes into account their views and feedback.

Board meetings attended/eligible to attend

	Meetings attended/ eligible to attend
Chairman	
Alan Dickinson	**6/6**
Executive Directors	
Nigel Hugill	**6/6**
Robin Butler	**6/6**
David Wood	**6/6**
Non-Executive Directors	
Ian Barlow	**6/6**
June Barnes	**6/6**
Rosemary Boot	**3/3**
Jon Di-Stefano	**6/6**
Sanjeev Sharma	**3/3**

An annual calendar of agenda items for the Board and all committees is maintained by the Company Secretary and the process ensures that all governance, regulatory and financial matters are reviewed at appropriate intervals and that each committee complies with its duties as set out in its terms of reference. The Company Secretary discusses the Board agendas with the Chairman and this process ensures that the papers circulated to the Board contain sufficient detail to enable the Board to fulfil its duties. Board papers are circulated electronically to all Directors in advance of each meeting to enable them to fully consider the issues to be discussed. Meetings are led by the Chairman, who encourages open discussions and debate. Where appropriate, Non-Executive Directors constructively challenge and question the Executive Directors on the progress and strategy of the Group and provide support and experience, from an independent perspective, to senior management. They offer guidance and advice and ensure that management is accountable for its actions in managing the Company's operations. Selected members of the Executive Management Committee (EMC) attended Board meetings during the year presenting on topics of relevance, thus increasing the range of views and input available to the Non-Executive Directors.

The Board has ultimate responsibility for the Group's risk management and internal controls and carries out a review of the Group's risks at every Board meeting. The Board recognises the dependence on management in the internal controls and risk management of the Group and the EMC is fully engaged in this process. At an operational level, the Strategic Development Committee (SDC), Commercial Development Committee (CDC) and Catesby Estates assess the risks of each individual project and their reports and assessment of risk are reviewed by the EMC, for upward reporting to the Board. 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 responsibility to the Audit Committee. The Board has appointed Grant Thornton to fulfil the internal audit function, a process overseen by the Audit Committee. For further details see the risk review on pages 34 to 43 and the report of the Audit Committee on pages 99 to 105.

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

Directors' conflicts of interest

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

The Board has considered the position of Jon Di-Stefano following the acquisition of Telford Homes by Trammell Crow Company, a wholly owned subsidiary of CBRE Group Inc. ("CBRE") and is satisfied that Jon's role as Chief Executive of Telford Homes does not currently conflict with CBRE's role as the Company's valuers. This is further explained on page 67.

"

The Board has ultimate responsibility for the Group's risk management and internal controls and carries out a review of the Group's risks at every Board meeting. The Board recognises the importance and value of the involvement of management in the internal controls and risk management of the Group. Management throughout the Group is fully engaged in this process.

Board information

All Directors have access to the advice and support of a professionally qualified and experienced Company Secretary, who works with the Chairman to ensure that adequate information is made available to the Board and its committees. The Company Secretary is responsible for corporate governance, planning the agendas for the annual cycle of Board and Committee meetings and maintaining Group policies, processes and procedures that ensure the effective and efficient functioning of the Board and its committees. The appointment or removal of the Company Secretary is subject to Board approval.

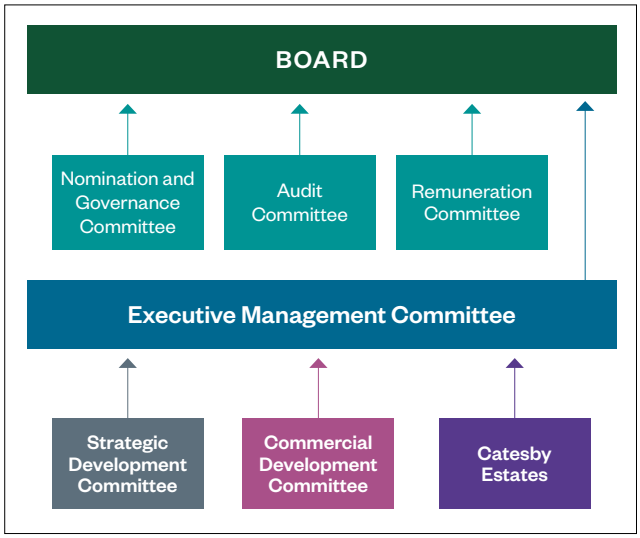
Prior to all Board and committee meetings, Directors receive agendas and supporting papers, which contain market, property, financial, governance and risk updates together with any other papers relating to specific agenda items as required. Presentations and verbal updates are also given at each Board meeting and open discussions take place on all agenda topics. In between scheduled Board meetings, ad hoc and transactional papers are circulated to Directors to allow appropriate review and consideration. There is open communication between Non-Executive and Executive Directors and the wider workforce and objective and constructive challenge by the Non-Executive Directors is welcomed. Directors are able to make enquiries or requests for further information from management. The Company Secretary facilitates professional development and ensures compliance with Board, regulatory and corporate governance procedures.

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

If requested, Directors are able to seek any further information or take independent professional advice that they may require in the performance of their duties, at the expense of the Company.

Division of responsibilities

There is a division of responsibilities of the Board and its committees and of the Chairman, Senior Independent Director and executive management. The Board has adopted a formal schedule of matters reserved for its decision and, whilst a division in responsibilities between the Board and its committees is important, it is vital that the Board retains control of key decisions. The Board has delegated specific areas of responsibility to the Nomination and Governance, Audit, Remuneration and Executive Management committees. Each of these committees has the authority to make decisions in accordance with its terms of reference, which are reviewed on an annual basis to take into account any changes to regulations and/or best practice. The terms of reference of all committees and the schedule of matters reserved for the Board have been updated during the year and now reflect the provisions of the 2018 Code. Any amendments to a committee's terms of reference are subject to Board approval.



The key responsibilities are summarised below

Board of Directors

Key responsibilities:

- Leadership and direction – setting the Company's purpose, values, strategy, objectives and standards and aligning with culture
- Achievement of the long-term sustainable success of the Company, generating value for, and balancing the interests between, its shareholders, employees and other stakeholders
- Health and safety management and reporting

Committees

Nomination and Governance Committee

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

Key responsibilities:

- Review of the structure, size and composition of the Board and its committees
- Oversight of succession planning for the Board and senior management
- Recruitment and appointment process for new Directors
- To oversee the annual Board evaluation
- Develop and review the Group's governance framework
- To oversee and monitor all matters relating to corporate governance

Executive Management Committee

Robin Butler (Chair)
Executive Directors
Members of the senior management team

Read more on page 77

Strategic Development Committee

Key responsibilities

- Oversight and reporting on infrastructure projects

- Maintenance of effective risk management and internal control systems
- Approval of significant acquisitions and disposals
- Overall financial performance of the Group
- Approval of interim and annual financial statements
- Dividend policy
- Corporate governance
- Environmental and sustainability policies
- Approval of procedures for the detection of fraud and the prevention of bribery, and review of the Group's whistleblowing policy and related reporting
- Appraisal of other core Group policies
- Understanding of the views of stakeholders and consideration of their interests and the matters set out in section 172 of the Companies Act 2006 in Board discussions and decision making
- Review of the processes for effective engagement with the workforce, shareholders and other stakeholders
- To assess and monitor culture and to ensure that policies, practices and behaviour throughout the Group are consistent with the Company's culture and values and support its long-term sustainable success

Audit Committee

Ian Barlow (Chair)
June Barnes
Rosemary Boot

Key responsibilities:
- Financial reporting and the integrity of the financial statements
- Risk management
- To oversee and monitor internal controls and the work of internal audit
- Supervision of the relationship with the external auditor

Remuneration Committee

June Barnes (Chair)
Ian Barlow
Rosemary Boot
Sanjeev Sharma

Key responsibilities:
- Review and recommendation to the Board of the remuneration policy for Executive Directors
- Review of the structure of remuneration for senior management
- Determine the remuneration packages of the Executive Directors, the Company Secretary and senior management
- Review the Executive Directors' objectives and achievements
- Review workforce remuneration and related policies and engagement with the workforce on remuneration matters

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

Commercial Development Committee

Key responsibilities
- Oversight and reporting on commercial projects

Catesby Estates

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

Division of responsibilities continued

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
- To 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

Executive Management Committee

Robin Butler (Managing Director) (Chair)

Nigel Hugill (Chief Executive)

David Wood (Group Finance Director)

Rebecca Britton (Communities, Communications and Partnerships Manager)

Paul Brocklehurst (Chief Executive – Catesby)

Richard Coppell (Development Director – Strategic Land)

Richard Hepworth (Director of Project Management)

Tim Leathes (Development Director – Strategic Land)

Philip Leech (Property Director – Commercial)

David Morris (Planning Director – Catesby)

Myron Osborne (Land and Development Director – Catesby)

James Scott (Director of Planning and Communication)

Nigel Wakefield (Development Director – Strategic Land)

Heather Williams (Company Secretary)

Role

The EMC was established with the key aim of overseeing 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 is responsible to the Board and the Chair of the EMC reports to the Board at each meeting. The Board has access to all EMC papers and minutes. The EMC's role is to support the Board in the performance of its duties within the bounds of its authority, in areas such as the development and implementation of strategy, operational plans, policies, procedures and budgets, health and safety 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, controls and monitors risk and internal controls and health and safety reporting. The EMC also develops and oversees HR policies and procedures and the workforce remuneration policy (below Board level). During the year, the EMC met six times, with meetings scheduled shortly before Board meetings, providing relevant and current comment to the Board on any matters of significance. Non-Executive Directors attend EMC meetings on a rotational basis which helps to ensure that the Board maintains a good understanding of management and staff views on issues of importance.

The management committee structure ensures a strong working relationship between the Board and the executive management team and has provided senior management with a structured forum to address a range of issues.

Three other committees report to the EMC: the Strategic Development Committee, the Commercial Development Committee and Catesby Estates.

Main activities of the Board during the year ended 30 September 2019

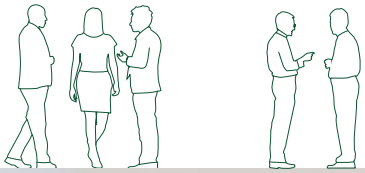
Operations

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

Strategy

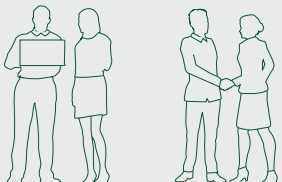
A Strategy Day was held in July 2019 and provided the Board with an in-depth review and discussion of Group strategy. This annual forum provides the opportunity for Non-Executive Directors to share their expertise and experience and to provide guidance and an independent perspective to the direction of the business.

Presentations to the Board by management and items discussed included the business plan, financial plan, capital allocation, risk review, shareholder base and share price performance.



Financial

- Approval of the Report and Accounts and preliminary announcement of results for the year ended 30 September 2018.
- Approval of interim results for the six months to 31 March 2019.
- Approval of Group loan facilities.
- Approval of business plan and budget for 2018/19.
- Review at every Board meeting of:
  - budget/cash flow;
  - the Group's borrowing facilities in relation to current strategic forecasts; and
  - loan covenant compliance.



Risk

- At every Board meeting, reports are reviewed on:
  - The Group's risk identification, management and mitigation process;
  - Project risks for each of the Group's developments;
  - Internal controls reports;
  - GDPR monitoring.

Governance

- Adoption of the 2018 Code and monitoring of actions taken to ensure compliance.
- Review of the outcomes and resulting actions arising from the 2018 Board evaluation.
- Discussion on the mechanism for employee engagement including updates of the progress in establishing an employee advisory group.
- Extension of the remit of the Nomination Committee to include responsibility for governance.
- Review of any actual or potential conflicts of interest of Directors at every meeting.
- Approval of the process for the 2019 Board evaluation.
- Approval of updated terms of reference of all committees and the schedule of matters reserved for the Board, in line with 2018 Code.

Policy and procedures

- Annual review and approval of the Group's modern slavery and human trafficking statement.
- Sustainability review.
- Review of Group policies:
  - Anti-corruption and bribery policy.
  - Gifts and hospitality policy.
  - Diversity policy.
  - Equal opportunities policy.
  - Charitable donations policy.

Directors

- Appointment of Rosemary Boot and Sanjeev Sharma to the Board.
- Appointment of new Senior Independent Director.
- Review of the membership of all Board committees.
- Review of Non-Executive Directors' fees.
- Consideration of each Director's commitment to and effectiveness in their role and recommendation for re-election at the AGM.
- Training and development of Directors on relevant areas, including the continuing obligations and responsibilities of directors under a premium listing.

Shareholders

- At every Board meeting a major shareholder analysis report is reviewed. The Board also reviews feedback from any investor meetings.
- Approval of any final and interim dividend proposals. The Company operates a dividend reinvestment scheme allowing cash dividends to be automatically reinvested as shares.
- Approval of the transfer of listing category of ordinary shares from the standard to premium listing segment of the Official List of the FCA.
- Annual General Meeting held in February.

Key activities of the Board in 2018/19

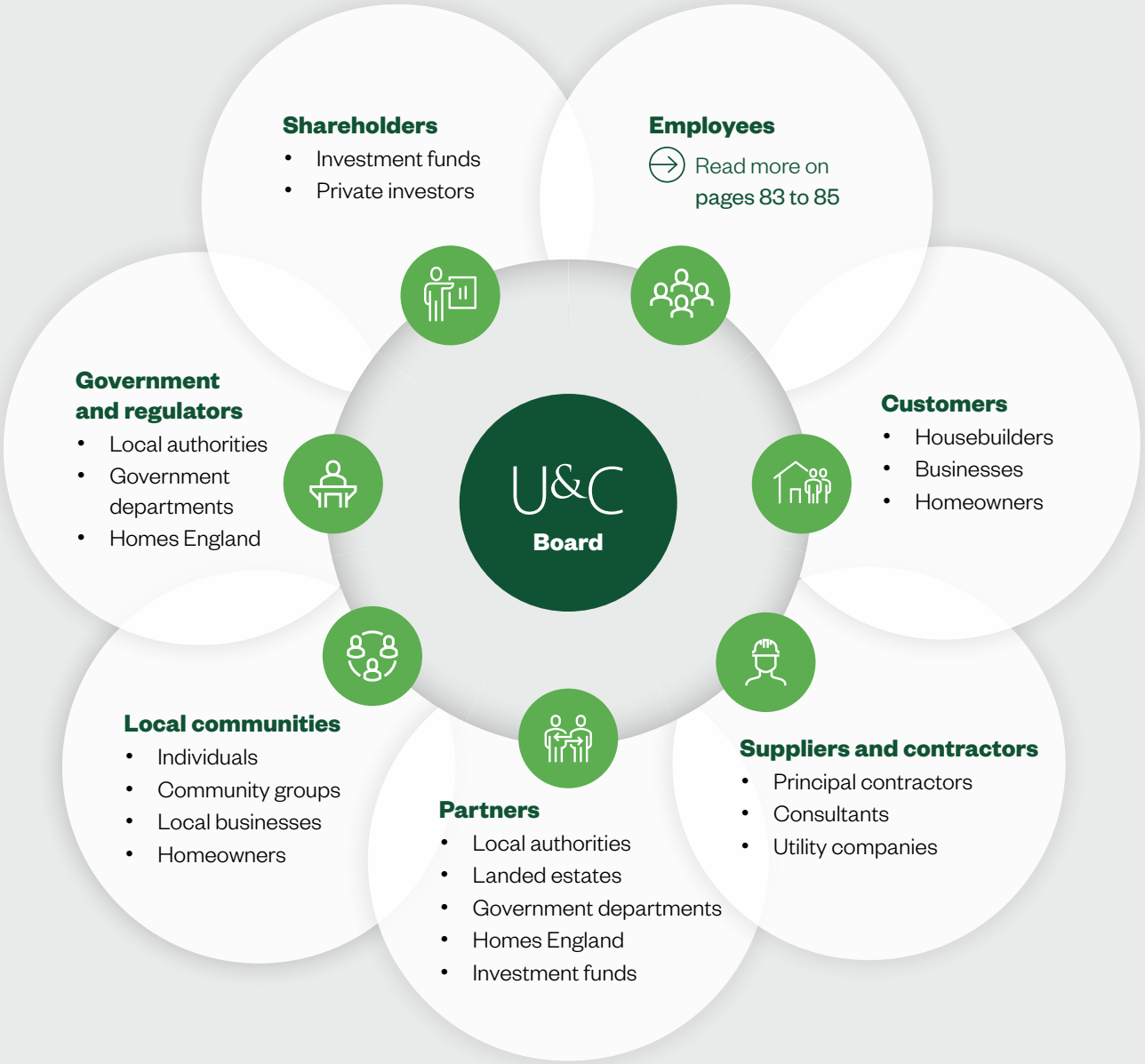
- Appointment of two new independent Non-Executive Directors.
- Adoption of the 2018 UK Corporate Governance Code.
- In depth review of Group Strategy.
- Approval of financial results for the year ended 30 September 2018 and the half year ended 31 March 2019.
- Transfer of listing category of ordinary shares from standard to premium listing segment of the Official List of the FCA.
- Approval of new Group loan facilities.

Key focus areas for 2019/20

- Implementation of strategic priorities.
- Development of succession plans of the Board and senior management.
- Sustainability review.
- Continued focus on risk management and internal audit review.
- Review of the Directors' remuneration policy.
- Ongoing work towards full compliance with the 2018 UK Corporate Governance Code.
- Continued programme of communication and interaction with stakeholders.
- Employee engagement.
- Progress work on culture.

How the Board engages to deliver value

The long-term success of our business is critically dependent on the way we work with a large number of important stakeholders. We aim to create value for our stakeholders every day. The table overleaf sets out our focus on the key relationships and shows how we engage with stakeholder groups to consider the interests of stakeholders in our decision making process and to help inform our strategy and delivery.



Key stakeholder relationships:

Shareholders	Customers	Suppliers & contractors	Partners	Other stakeholders
What do we want from them? • Trust • Confidence • Understand what we do • Value how we do it • Increase investment • Grow investor base	**What do we want from them?** • Trust • Quality • Value • Repeat business • Diversity • Sustainable approach • Recommendation	**What do we want from them?** • Trust • Flexibility • Reliability – consistency • Sustainable approach • Safe environment	**What do we want from them?** • Trust • Understand what we do • Investment • Freedom to operate • More opportunities • Recommendation	**What do we want from them?** • Trust • Understand what we do • Support • Investment • Recommendation • Jobs/skills
What do they want from us? • NAV growth • Profit growth • ESG leadership • Transparency • Timely and accurate reporting • Clear strategy and execution • Dividends	**What do they want from us?** • Serviced land supply • Quality • Site marketing • Jobs and skills support • Health and safety support • Equality	**What do they want from us?** • Certainty of payment • Regularity of work • Flexible procurement	**What do they want from us?** • Transparency • Timely and accurate reporting • Cost control and efficient budgeting • Delivery • Quality • Legacy • Recognition	**What do they want from us?** • Delivery • Quality • Timely and accurate reporting • Long-term alignment • Jobs and skills • Meaningful community engagement

Our engagement with stakeholders:

Key stakeholder	How we engaged with them	
Shareholders	• Annual Report • Strategic site brochure • Investor presentations • Website	• RNS announcements • Site tours • Conference participation • Press
Employees Read more on pages 83 to 85	• Internal communications • Engagement with Non-Executive Directors	• Open door culture • Learning and development • All staff events
Customers	• Site-specific branding • Sales information • Press	• Websites • On-site service and consortia meetings • Consistency of contractual arrangements
Suppliers and contractors	• Framework arrangements • Regular meetings • Client points of contact	• Two-stage procurement • Negotiation
Partners	• Site-specific reporting and Board meetings • Site tours	• Annual Report • Strategic site brochure • Informal feedback
Local communities	• Project work • Community engagement	• Newsletters • Press
Government and regulators	• Consultations • Industry meetings	• Statutory processes • Informal dialogue

How the Board engages to deliver value continued

CASE STUDY

SME Housebuilder Conference

Homes England, Savills and Urban&Civic brought a group of SME housebuilders together from across the Midlands and South of England in May at Houlton, to discuss the SME's role in addressing housing need and to increase the diversity of delivery on large scale developments.

Savills set the scene through the broad housing market and delivery context, focusing particularly on the challenges and opportunities faced by the sector. Homes England described its clear support via the Home Building Fund which is responding to the constraints within the SME sector by providing targeted development finance. Urban&Civic then explained its delivery model and how its approach to providing service land parcels is reducing barriers to entry for SMEs on its large scale sites.

Family owned company, Francis Jackson Homes, are already on site at Urban&Civic owned Priors Hall in Corby. Managing Director Nick Jackson attended the event and said; "Access to land and finance continue to be the main constraints faced in the market for many SME builders and it is encouraging to see U&C and Homes England addressing that. The U&C model de-risks land and provides a really strong development platform for us to deliver our high quality product alongside national house builders. Combined with the injection of cash through Homes England to accelerate infrastructure on these sites, we are collectively creating really attractive and popular places to live."

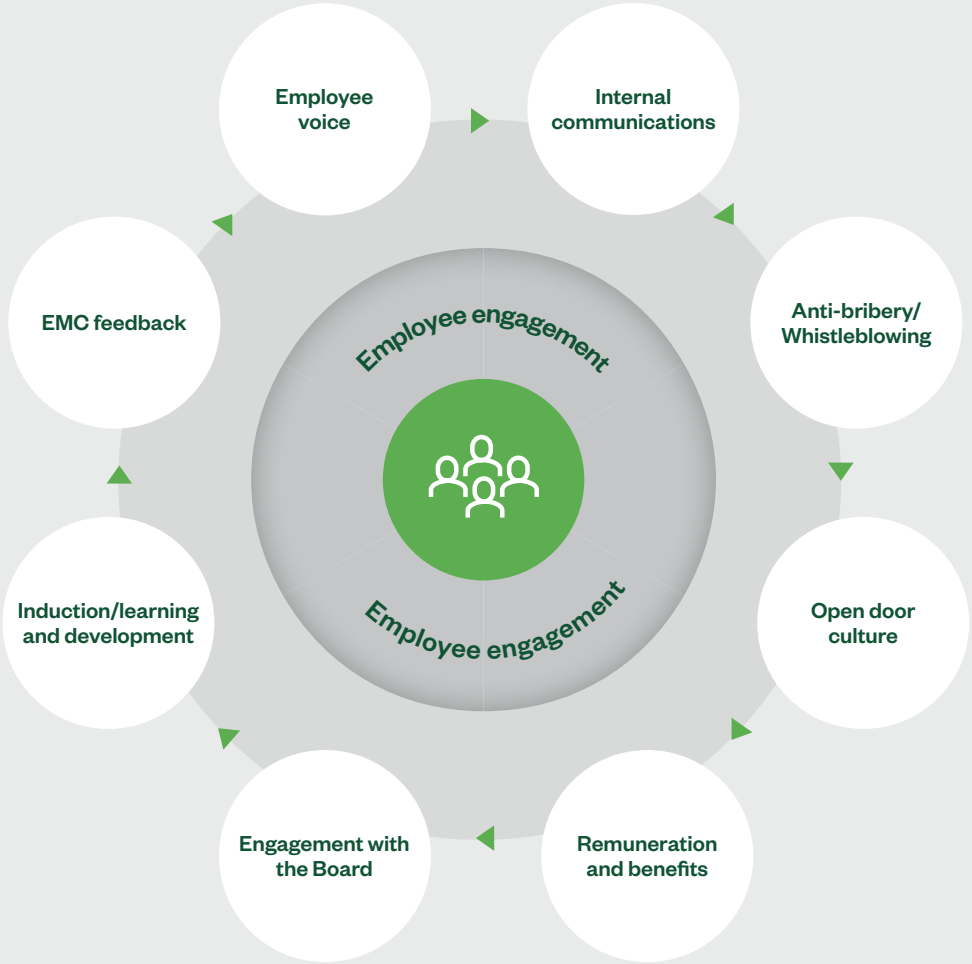
CASE STUDY

U&C take on This Morning in Manchester

Employee engagement was overhauled in 2019 with a new format for the annual staff conference where members of the team took on the roles of daytime talk show hosts, aimed at creating and presenting more engaging content. The day featured a mix of one-on-one in-depth interviews, entertaining activities with audience participation and fun segments linking the U&C business to food, fashion and fitness. Refreshingly informative, the agenda covered business growth, culture and values, and an insight into our governance as well as features on HR, Learning and Development and Internal Communications, and contextual analysis of the political and economic landscape and our navigation through this. We even had a cooking session on how to bake the Master Developer way. We piloted the use of polling app Slido to provide us with real time audience feedback, insight and questions. The annual conference ranked one of the most influential and powerful tools for internal communications in an employee survey in February 2019, driving the continued investment into innovating and growing this valuable engagement tool for the business. The conference forms a key part of our internal communications strategy for 2020.

Employee engagement

We aim to maintain an open, diverse and inclusive working environment and we encourage strong links between the workforce, management and the Board. Examples of how we develop and engage with our employees are below.



Employee voice

The Board and management, by consultation with employees, are in the process of assessing the most appropriate approach for engagement with the workforce to ensure that the Directors fully understand and appreciate their views and feedback on a variety of matters, including issues such as employment policies, practices and conditions, and to put in place a structure to promote an open and transparent culture, building on our existing mechanisms. This will supplement our existing channels to ensure that employees' views are heard at Board level. Working group meetings have been held with members of staff from a range of business streams and office locations and our current intention is to establish a workforce engagement forum at which any matters affecting the workforce can be discussed for onward engagement with the Board and/or relevant Board committees. No members of senior management will be appointed to this panel to ensure open debate of a range of topics or matters of concern, dictated by staff requests. The Board will review the effectiveness of this structure and, if it is felt that a different approach may be more suitable, will review alternative options. We will report back further on the progress of our engagement with the workforce in next year's report. Methods by which we already engage with and support the workforce are set out below, demonstrating our broader employee engagement.

Employee engagement continued

Internal communications

The growth of our business, in both employee numbers and office locations, means that internal communications is an evolving challenge to management. We hold an annual staff offsite meeting at which all employees attend for a variety of presentations and interactive activities. The event is led by employees, who drive the format and take part in the presentations. This provides useful two-way feedback between the workforce and management on a range of issues. Management takes forward key findings and recommendations arising from these lively discussions, which provide a valuable means of communicating employees' views. All employees are invited to join the live webcast of the Company's interim and annual results presentation and we also publish a regular newsletter which is circulated internally, updating on strategic, operational and employment issues. We have carried out two employee surveys during the year, one on internal communications and one on perceptions of the Group's core values. We introduced a new facility this year to enable staff at our offices to attend internal meetings via video conference and by a desktop link. This was in direct response to a request communicated through the results of the internal communications survey. The impact of this facility is that Group employees across all our offices can now feel more connected to each other and can attend meetings without the need to travel to one central location. This facilitates improved communication between offices and therefore enables the workforce to be more informed about the business.

Anti-corruption and bribery and whistleblowing procedures

In line with the Bribery Act 2010, the Group has in place written policies on avoiding and not tolerating bribery or corruption. The Board has approved an anti-corruption and bribery policy, a gifts and hospitality policy and a whistleblowing policy, which have been circulated to all Directors and employees. The anti-corruption and bribery policy and whistleblowing policy are also found on our website. All employees are provided with copies of these policies on joining the Group and are required to undertake online training at the commencement of employment and annually thereafter. They are required to confirm in writing, on an annual basis, that they have complied with the anti-corruption and bribery policy and gifts and hospitality policy throughout the year. The Audit Committee reviews, on a six-monthly basis, declarations made by Directors and employees under the Group's gifts and hospitality policy above an agreed threshold. Any non-compliance is reported to the Board. There were no such matters reported during the year.

Under the whistleblowing policy, Directors, management, employees and external stakeholders can report in confidence any concerns they may have of malpractice, financial irregularity or breaches of any Group procedures. During the year, the responsibility for the review of anti-bribery and whistleblowing reports (submitted by management) moved from the Audit Committee to the Board, in line with the 2018 Code and reports are reviewed at each Board meeting. No issues were reported during the year under review.

Open door culture

All our offices are open plan, which creates an opportunity for open discussion, effective communication and direct feedback from employees to management.

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

Engagement with the Board

Good communication with employees is key to our business and Non-Executive Directors maintain ongoing contact by regular site visits and informal meetings at the Group offices, both in London and at our regional offices. They are encouraged to spend time with staff in the absence of the Executive Directors, which has strengthened the relationship with senior management and contributed to a greater understanding of Group culture and of issues affecting the workforce. Non-Executive Directors attend, on a rotational basis, meetings of the EMC at which views of employees and issues affecting them are discussed.

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 received a report on the outcome of the employee surveys conducted during the year and on the feedback from the staff offsite meeting. The report included the actions proposed and/or taken by management in direct response to the feedback.

Induction/learning and development

The Group's policy is to invest in its workforce and we actively encourage all employees in the broadening of their skills and experience. An internal learning and development function has been established to oversee and co-ordinate the training and personal development of employees. During the year we appointed an HR Manager who works closely with this function. We recognise the value of our people and seek to develop that asset. Employees are actively encouraged to develop in their role and to use their talents and skills across the organisation. 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. A register of all such roles is maintained by the Company Secretary to ensure that no conflicts of interest or undue time demands are placed on employees.

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. This forms part of a wider induction process which is led by the learning and development function and the individual's line manager.

During the year, we have enhanced our performance review system by introducing a more formalised process.

Exit interviews take place with all leavers and an annual report is made to the Remuneration Committee on any significant issues or trends.

EMC feedback

The EMC has the direct responsibility for seeking employee views and feedback on areas such as the performance review and annual compensation review processes and the employment and governance policies of the Group. The EMC, through its Chair, reports to the Board on these issues at each Board meeting. The Board also reviews the minutes of each EMC meeting. The establishment of an employee advisory group, the progress of which is expected over the coming year, will change the role of the EMC in relation to employee feedback. We will report back further next year.

Relations with shareholders

Communication with existing and potential shareholders is given a high priority by the Board, which believes that understanding the views of shareholders is key to the success of the Company. The Chairman, the Chief Executive and the Finance Director are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year to communicate the Company's strategy and performance. 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. No such requests were received from shareholders during the year.

At each Board meeting, the Board reviews a report on the Company's major shareholders and feedback from any meetings with investors and analysts. This enables Directors to develop a strong understanding of the views of the Company's major investors. Shareholder engagement and communication occur throughout the financial year, including presentations, one-to-one meetings, conferences and site visits. The Group's website is an important source of information, enabling shareholders to keep up to date with the Company's activities. Regulatory announcements made by the Company are maintained on the website which also contains all other material information including Annual Reports and share price information. A live webcast of the presentation of the Group's half and full year results is broadcast, enabling shareholders to raise questions directly with the Chairman and Executive Directors.

Calendar of events

Investor Relations activity for the financial year ended 30 September 2019

October 2018

November 2018
- Publication of preliminary results
- Meetings with investors

November/December 2018
- Roadshow – meetings with investors and analysts following the announcement of the preliminary results

January 2019
- Meetings with investors

February 2019
- Annual General Meeting
- Payment of 2018 final dividend of 2.2p per share
- Strategic sites tour with investors

March 2019
- Strategic sites tour with investors

April 2019
- Transfer of the listing category of the Company's ordinary shares from a Standard Listing to a Premium Listing on the Official List of the FCA

May 2019
- Publication of half year results

May/June 2019
- Roadshow – meetings with investors and analysts following the announcement of the half year results

July 2019
- Payment of 2019 interim dividend of 1.4p per share
- Strategic sites tour with investors and analysts
- Meetings with investors

August 2019
- Strategic sites tour with investors and analysts
- Meetings with investors

September 2019

CASE STUDY

Seeing is believing

During the course of the year we have run many stakeholder tours around our sites for a wide range of investors, Homes England, government departments, local authorities and community groups. These tours allow stakeholders to experience the scale and quality of the Master Developer delivery in person and allow us to explain the various ingredients that go into creating fully serviced land parcels. They form an essential part of our external outreach and wider knowledge sharing, ensuring we can promote innovation and best practice. Seeing really is believing when operating across a large scale strategic site.

Annual General Meeting

The Company's Annual General Meeting provides an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. At the 2020 AGM, to be held on 6 February 2020 at 10.00 a.m. at The Savile Club, 69 Brook Street, London W1K 4ER, it is intended that all resolutions will be voted on by poll. This will allow more time for shareholders attending to raise any concerns and to ask questions. Details of the number of proxy votes for, against and withheld on each resolution will be disclosed at the meeting and will be posted on the website after the meeting.

The Board has adopted the policy that all Directors will be subject to annual reappointment by shareholders. Biographies of Directors are on pages 68 and 69 and separate resolutions relating to their election or re-election are contained in the notice of meeting for the 2020 AGM, circulated with this Annual Report.

The Company will give shareholders at least 20 working days' notice of Annual General Meetings. Details of the resolutions to be proposed at the 2020 AGM can be found in the notice of meeting.

All resolutions at the 2019 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 the 2020 AGM, we will explain what actions we intend to take to understand the reasons behind the result.

All Directors will attend the 2020 AGM and welcome the opportunity to meet shareholders.

Annual Report and Accounts

The Board has considered the Group's Annual Report and Accounts for the year ended 30 September 2019 and, taking account of the recommendations of the Audit Committee, is satisfied that taken as a whole it is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's performance, business model and strategy.

Heather Williams
Company Secretary
27 November 2019

Committee members

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

Key activities in 2018/19

- Change in the remit of the Committee
- Appointment of two new independent Non-Executive Directors
- Ongoing review of succession plans for the Board and Senior Management
- Review of Board committee membership
- Approval of updated diversity policy and equal opportunities policy

Key focus areas for 2019/20

- Review and action the results of the 2019 Board evaluation
- Continued review of succession plan for the Board and identification of clear succession plan for the Chair
- Focus on succession plans for senior management
- Monitor compliance with the diversity and equal opportunities policies

The terms of reference of the Nomination and Governance Committee are on the Company's website: **www.urbanandcivic.com/about-us/corporate-governance/nomination-governance-committee/**

"We seek to ensure effective succession planning and the development of a diverse Board. We encourage diversity throughout the Group.

Alan Dickinson
Chair of the Nomination and Governance Committee

Nomination and Governance Committee report

Dear Shareholder,
I am pleased to present the report of the Nomination and Governance Committee describing our work in the year ended 30 September 2019.

Introduction
During the year, the Nomination Committee was renamed the Nomination and Governance Committee. This committee retains all the duties and responsibilities of the Nomination Committee, including regular review of the size, structure and composition of the Board and its committees, review of the adequacy of succession planning of the Board and senior management, leading the process for new appointments to the Board, overseeing a diverse pipeline for succession, and leading the Board evaluation process. In addition, the Committee will be responsible for reviewing and monitoring compliance with relevant corporate governance rules and guidelines, such as the UK Corporate Governance Code, and guidelines issued by institutional investor bodies. The Committee is responsible for the ongoing development and review of the Group's governance framework and policies, designed to promote proper governance within the Group. Such compliance will be reviewed at least annually. Ultimate approval of Group policies and governance matters remains with the Board but this Committee will oversee and, where appropriate, make recommendations relating to governance arrangements across the Group. The Committee is also responsible for review of the diversity and equal opportunities policies in place and for ensuring that these policies are conveyed throughout the Group in relation to recruitment, retention, development and succession planning.

During the year

During the year, the Committee undertook a review of Board and Committee membership following the retirement of Duncan Hunter from the Board and in light of ongoing succession planning, taking into account the requirements of UK Corporate Governance guidelines. A summary of Board changes that took place during the year is below:

13 February 2019
Duncan Hunter, Senior Independent Non-Executive Director and member of the Nomination, Audit and Remuneration Committees, resigned from the Board

13 February 2019
Ian Barlow was appointed as Senior Independent Non-Executive Director and stepped down as Chair of the Audit Committee

13 February 2019
Jon Di-Stefano was appointed as Chair of the Audit Committee and member of the Nomination and Governance Committee[1]

10 May 2019
Rosemary Boot and Sanjeev Sharma were appointed as independent Non-Executive Directors

23 May 2019
Rosemary Boot and Sanjeev Sharma were appointed as members of the Remuneration Committee; Rosemary Boot was appointed as a member of the Audit Committee

1. Subsequent to the year end, on 18 November 2019, Jon Di-Stefano stepped down as member and chair of the Audit Committee and Ian Barlow resumed the role of chair, as explained further on page 67.

The Committee also agreed the approach for the 2019 Board evaluation, as described later in this report. The terms of reference of the Committee were reviewed during the year and amended to reflect the revised remit of the Committee and to ensure compliance with best practice guidelines.

Membership and meetings

On 13 February 2019, Jon Di-Stefano was appointed as a member of the Committee. Duncan Hunter resigned as a Non-Executive Director and member of the Committee on the same date. There were no other changes to the Committee membership during the year.

Attendance by the members of the Committee at the five scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/ eligible to attend
Alan Dickinson	Chair	Yes[1]	22/05/14	5 years 4 months	**5/5**
Ian Barlow	Member	Yes	01/09/16	3 years 1 month	**5/5**
June Barnes	Member	Yes	22/05/14	5 years 4 months	**5/5**
Jon Di-Stefano	Member	Yes	13/02/19	7 months	**3/3**

1. On appointment.

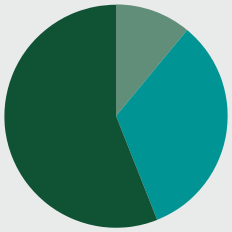
Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors and advisers attend by invitation. As Chair of this Committee and the Board, I will not chair meetings when dealing with the appointment of my successor or with any matters pertaining to the role of Chair.

Agenda items are linked to an annual calendar of discussion items to ensure that the Committee carries out a thorough and effective review of key regulatory and governance areas. The calendar is updated on a regular basis to ensure that it is current and reflects up-to-date guidance and requirements and it was updated during the year to reflect the requirements of the 2018 Code.

The composition of the Committee, which is reviewed by the Board annually, complies with Provision 17 of the 2018 Code with all members being independent Non-Executive Directors.

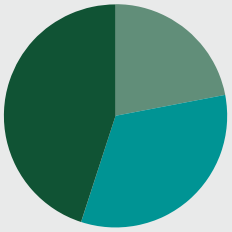
Board and senior management at a glance

Board composition



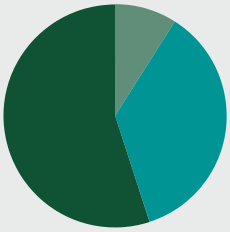
- Non-Executive Chairman (independent on appointment): 1
- Executive Directors: 3
- Independent Non-Executive Directors: 5

Age of Directors



- 40–50 years: 2
- 51–60 years: 3
- 61–70 years: 4

Age of senior management[1]

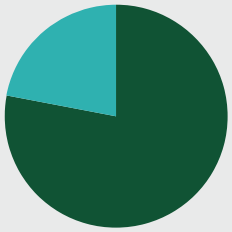


- 30–39 years: 1
- 40–50 years: 4
- 51–60 years: 6

1. Excluding Executive Directors.

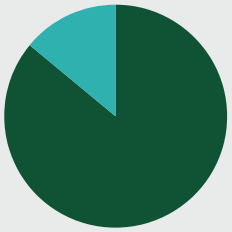
Gender diversity

Board



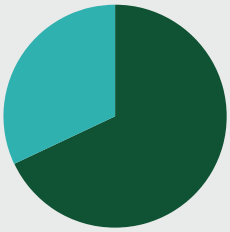
- Male: 7
- Female: 2

Senior management



- Male: 12
- Female: 2

Employees[1]

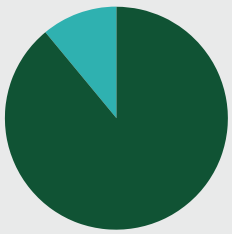


- Male: 55
- Female: 32

1. Employees other than Executive Directors.

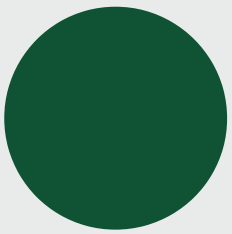
Ethnic diversity

Board



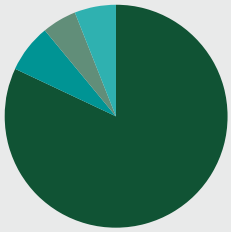
- White/British: 8
- Asian/Asian British: 1

Senior management



- White/British: 14

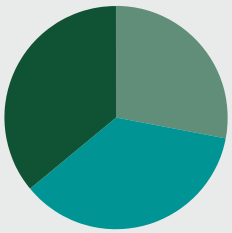
Employees[1]



- White/British: 72
- White/Other: 6
- Asian/Asian British/Black/ Black British: 5
- Mixed/ Multi heritage: 4

1. Employees other than Executive Directors.

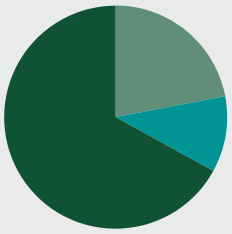
Senior management length of service[1]



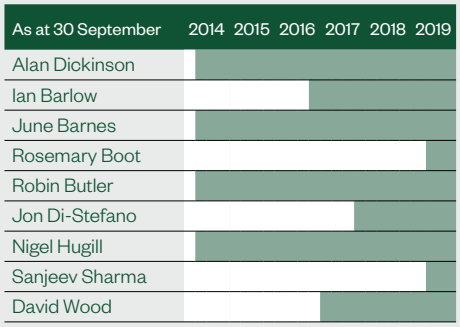
- 3–6 years: 3
- 6–9 years: 4
- More than 9 years: 4

1. Excluding Executive Directors.

Length of tenure of Directors



- Less than 1 year: 2
- 1–3 years: 1
- 3–6 years: 6



Composition of the Board

When considering the composition of the Board and committee membership, which we do annually, we take into account the balance of Executive Directors to Non-Executive Directors and the background, skills and experience, independence and diversity of Directors. We recognise the need to balance continuity with refreshment of the Board and seek to ensure effective succession planning and the development of a diverse Board.

Details of the composition of the Board, its committee structure and responsibilities, and the division of responsibilities between the Chairman, Senior Independent Director and Executive Directors are contained in the corporate governance report. The Board has three standing committees (Nomination and Governance, Audit and Remuneration) and reports from the chairs of all these committees setting out their composition, duties and activities, are contained in the governance section of the Annual Report.

The Board consists of a Non-Executive Chairman (independent on appointment), three Executive Directors and five independent Non-Executive Directors.

During the year, we carried out an analysis of the Directors' skillsets and experience (summarised below) and have concluded that the Board demonstrates a good spread of background, skills, effectiveness and experience and provides strong and effective leadership. We endeavour to retain and enhance this balance when appointing any new Directors and will use the analysis as a useful tool to identify areas of focus to consider when appointing new members of the Board and when considering the succession planning and talent management of senior management. The range of skills and background enables each Director to bring the benefit of their experience to boardroom debate. 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.

The ability of the Board as a whole and of individual Non-Executive Directors to maintain an effective and constructive relationship with the Executive Directors is important, ensuring shared values across the Group. We believe that the current composition of the Board and its committees is appropriate and will continue to hold this under regular review.

Appointment process

The Nomination and Governance Committee is responsible for overseeing the appointment process for new Directors, from the identification of the need for appointment through to the selection of candidates and the eventual recommendation to the Board for their appointment.

Skills and experience of Directors

	Non-Executive Directors						Executive Directors		
Experience	Alan Dickinson	Ian Barlow	June Barnes	Rosemary Boot	Jon Di-Stefano	Sanjeev Sharma	Nigel Hugill	Robin Butler	David Wood
Property industry experience	●	●	●	●	●	●	●	●	●
Knowledge of sector	●	○	○	○	●	●	●	●	●
Strategy – planning, development and implementation	●	●	●	●	●	●	●	●	●
Accounting	●	●	○	●	●	○	●	●	●
Finance and banking	●	●	○	●	●	●	●	○	●
Risk management experience	●	●	●	●	●	●	●	●	●
Project management experience	●	●	●	○	●	●	●	●	●
Health and safety knowledge	○	○	●	●	●	●	●	●	●
Environment knowledge	○	○	●	●	●	○	●	●	○
Leadership and people management	●	●	●	●	●	●	●	●	●
Executive performance management	●	●	●	●	●	●	●	●	●
Mentoring abilities	●	●	●	●	●	●	●	●	●
Investor relations	●	●	○	○	●	○	●	●	●
Corporate governance	●	●	●	●	●	●	●	●	●

Highly experienced

Appointment process continued

The appointment process involves the selection of an external recruitment consultant and discussion with them of the candidate specification. The Board believes that the overriding criteria for selection should be suitability for the role based on independence, skills, knowledge, experience and ability to promote the success of the Company.

It has previously been decided not to impose a quota relating to gender balance at Board level, but the Committee gives full consideration to achieving a diverse working environment when considering the appointment of any new Directors.

Following a review of potential candidates identified by the consultant, the Committee will select a shortlist for initial interviews with members of this Committee, followed by interviews with other Board members. The Committee will then make a recommendation to the Board for appointment to the Board and any Committees.

Following this process, an induction programme will be organised by the Company Secretary, as described below.

All Directors will be proposed for election by shareholders at the first AGM following their appointment.

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

In 2019, we engaged the services of an external search consultancy, Russell Reynolds, for the identification of suitable candidates for Non-Executive Director roles. They were instructed to identify candidates with a range of backgrounds and experience. This process culminated in the appointment of Rosemary Boot and Sanjeev Sharma as Non-Executive Directors. Russell Reynolds did not have any prior connection with the Company or its Directors other than in relation to the previous appointment of Directors.

We ensure that any executive search consultant we engage has adopted an industry standard Voluntary Code of Conduct addressing gender and ethnic diversity.

Board induction

Following the appointment of a new Director, the Company Secretary organises an induction process tailored to their individual needs. This process will be agreed with the Chair and the Director involved and ensures that meetings and activities meet the individual requirements of each new Director and their role.

Rosemary Boot and Sanjeev Sharma both joined the Board in May 2019 and were provided with a comprehensive pack of documents including Board and committee minutes and related papers, Group policies and procedures, and information on annual Board timetables and governance matters.

During their first few months in office a detailed itinerary of meetings and site visits took place. One-to-one meetings were arranged with key members of the senior management team and with external advisers such as the Group's auditor, BDO, and valuers, CBRE. Detailed briefings with the Chief Executive, Managing Director and Finance Director were also arranged. Visits to key sites led by senior management, including Alconbury Weald, Waterbeach, Priors Hall, Wintringham, RadioStation Rugby and Manchester took place, to enable a good understanding of the Group's operations.

Ongoing training for Directors takes place with regular presentations at Board meetings by management and advisers and attendance at external seminars, workshops and lectures. Non-Executive Directors visit our Group offices and operational sites throughout the year and receive updates on all operations at each Board meeting. In between Board meetings, bespoke guidance on technical, regulatory or governance matters is issued to Directors on topics as required. Directors are encouraged to identify any additional areas in which they require information, briefings or training.

The induction programme is designed to ensure that new Directors have a sound understanding of the Group's long-term strategy, business operations and performance.

The induction covers:

Strategy, culture and values

- Visits to our key strategic sites
- Meetings with the Chief Executive and Managing Director

Operations

- One-to-one meetings with all Executive Directors
- Meetings with senior management
- Meetings with key advisers

Governance

- Guidance on the Group's policies and procedures and on the legal, regulatory and governance framework of the Board

Finance

- Meetings with the Group Finance Director
- Meetings with the Group Auditor

Q&A

with our new Independent Non-Executive Directors, Rosemary Boot and Sanjeev Sharma

Q What attracted you to the role of NED at U&C?

A RB: It brings together a number of areas of interest to me. I am interested in contributing to fulfilling the UK's need for housing and had previously spent some time working for a large social housing business. The Master Developer business model was something that I hadn't seen before and looked very compelling. I knew of and was impressed by Nigel and Robin and their track record. The other Board members were people that I respected and wanted to work with. I felt that I would be able to make a complementary contribution to the Board based on my experiences as an investment banker, in climate change mitigation, housing, care homes, utilities and future cities. I have also spent time as the Group FD of a growing business.

SS: Following my own research and the in-depth selection and interview process for the role, a number of factors make U&C very appealing. Time and time again from my real estate contacts, including within my business (M&G Real Estate), there is very high regard for what Nigel Hugill, and Robin Butler, have achieved within the industry over 30+ years. This respect carries into what U&C stands for and what is regarded as its unique competitive position as a "Master Developer".

Not only are the Executive Directors and senior management team at U&C of some of the highest calibre, the significant experience and knowledge of the current Board was a huge appeal. I felt I would gain a great deal from the current Board and also be able to bring a different perspective as someone who is still in a full-time executive role within the industry.

Q What are your initial impressions of the Group?

A RB: The strategic sites are very impressive and the business model is working well. I think we have high quality, committed people who are ambitious for the success of the Group. The culture seems to be very open and supportive.

SS: Better than I expected, and my expectations were high to begin with. From the recruitment, selection process and induction, and through to ongoing Board responsibilities, the high standards and professional approach shown has been very impressive. I also feel that everyone's contributions are welcomed. The Group is extremely well managed, with staff clear about the business and its objectives and with a real enthusiasm to deliver to all stakeholders whilst providing a very much needed social purpose to the UK economy – housing. The general environment and culture is one of everyone "pulling together".

Q How valuable has the induction process been?

A RB: It has been invaluable to meet people and see the sites. Meeting people and seeing sites during the induction is vital to really "get under the skin" of the Group to enable me to contribute from an understanding of how things actually work on the ground.

SS: Extremely. The induction has been a very extensive, thorough and well organised process. This has enabled me to get to know and understand the business and therefore contribute far more quickly than would otherwise be the case. Everyone I have met has been welcoming, open and wanting to engage.

Q How do you feel that your background and experience equips you for your role at U&C?

A RB: See my response to the first question above. I am also a NED at a couple of other companies and there are benefits from sharing experiences of issues being considered at other boards, and audit and remuneration committees, not least with the recent changes to the UK Corporate Governance Code.

SS: I have worked within the real estate sector for over 30 years, across a number of organisations and in various roles. I believe this gives me a very good insight into the sector, as well as a broader perspective across a number of functions that would be of benefit to U&C. I have held senior roles in HR and operations, in large established organisations – NatWest Corporate Property and M&G Real Estate Limited, my current employer, which is one of the largest real estate investors globally with £33 billion assets under management). I am able to bring this to bear within U&C be that at meetings of the Board, or the Remuneration Committee, of which I am a member. I have been a member of the M&G RE board since 2001, during which the company has expanded considerably both in terms of product base and geographical spread, not to mention its focus on sustainability. I believe I have picked up invaluable insights into what is required of businesses and their people during such periods to sustain not only growth of new clients and opportunities but also to ensure existing clients and business continue to be managed to the highest standards.

Q What have you enjoyed the most about your role so far?

A RB: Meeting the people and visiting the sites. The quality of Board discussion and experiencing the Board dynamics.

SS: The diversity of the organisation, be that the nuances of each of U&C's strategic sites, or meeting and getting to understand various stakeholders' contributions and expectations of the business. Most of all, I am excited by the considerable opportunities that the business has for the future.

Q What skills and competencies make an ideal Non-Executive Director?

A RB: It obviously depends on the company, but the role of the NED is to provide an appropriate balance of challenge and support to the executive team, focusing on oversight and governance, and looking forward – considering strategy and possible bumps in the road, and having the right people and culture.

So the board as a whole needs to have competence in the areas of importance to the company, bringing diversity of opinion as well as a good mix of relevant experience from the directors' previous and other current roles. A good NED needs to be a good listener and know how to contribute effectively in a non-executive capacity, as well as to know when to stick to an unpopular line!

SS: Having a broad set of experiences and skills to bring to bear rather than a narrow specialised background. Clearly any NED needs to understand the expectations of shareholders, other stakeholders and the Corporate Governance Code but it is very much about having an open mind, listening and being able to distil complex issues to support the strategy and objectives of the business.

Q What do you foresee the next 12 months will entail?

A RB: Personally I'm looking forward to getting fully up to speed and meeting more of the people. For the Group, probably balancing the progression of the existing strategic sites and continuing to prove the business model by identifying and bringing forward the next strategic sites. Also we may see the impact of Brexit on the housing market and whether it affects the resilience of our business model.

SS: With Brexit, anyone's guess! However, for our sector, recognising the Government's commitment to building 300,000 new homes a year means that a company like U&C clearly has significant demand-led opportunities and its unique position and reputation make it an ideal partner for both the Government, Government agencies like Homes England and others such as housing associations, house builders, etc. This will help to ensure that our focus is very much on making the most of the opportunities and growing the business whilst ensuring we deliver on our already substantial pipeline of sites that are at varying stages. The Board and senior management will clearly have a lot to focus on to ensure the business continues to deliver to all stakeholders.

Q What do you think makes U&C unique?

A RB: The listed Master Developer is extremely unusual – there's a tension about the use of cash flows to grow the business vs paying dividends.

The degree of high level political support and also funding from Homes England.

The quality of the relationships with landowners and local authorities as well as housebuilders, which all depends on the quality of the team.

SS: Having some of the best strategic sites in the country and a reputation for high quality delivery.

The culture of the business and its entrepreneurialism that runs throughout the Company.

The quality of its partnerships, be that Government agencies, suppliers, housebuilders, etc.

The lack of real competition as an established, proven "Master Developer".

Main activities of the Committee during the year ended 30 September 2019

Board balance and skills

- Reviewed the structure, size and composition of the Board.
- Oversaw the process for the appointment of two new Non-Executive Directors during the year.
- Carried out a review of committee membership.
- Assessed the skills, knowledge and experience of the Board members.
- Carried out a review of the contribution to the Board by the Directors proposed for reappointment at the AGM.
- Reviewed the training and development needs of Directors.

Leadership

- Continued monitoring of the Group's talent management structure by the review of the measures in place for the development, progression and retention of senior management.
- Received updates on the employee performance review system and the induction process, both of which are important tools in the wider remit of development and retention of employees.

Evaluation

- Agreed the approach to the 2019 Board evaluation.
- Carried out a review of the Committee's performance and compliance with its terms of reference.

Diversity

- Updated the Group diversity policy and equality policy and recommended their approval to the Board.
- Reviewed the management structure and gender diversity throughout the Group.

Governance

- Approved the Nomination Committee report for inclusion in the 2018 Annual Report.
- Carried out a review of Non-Executive Directors' fees prior to review by the Board, in relation to changes to the Board structure and committee membership.
- Approved revised terms of reference for the Committee reflecting governance regulations and best practice and updated to reflect the Committee's expanded remit to include governance responsibilities.

Succession planning

Throughout the year, the Nomination and Governance Committee has continued to focus on succession planning, paying due regard to diversity within the Group. The Committee has reviewed the succession plans in place for the Board, including both Executive and Non-Executive Directors. The year under review saw a refreshment of the Board by the appointment of two new independent Non-Executive Directors. We continue to be mindful of the tenure of the current Directors and regularly review the succession plans for the Board to ensure that the refreshing of the Board is properly planned and managed in an orderly way.

The Committee reviews regular reports on the ways in which we seek to retain and develop the senior management pipeline and considers the succession planning of management. We assess areas such as:

- financial incentives;
- non-financial incentives;
- potential for career progression;
- learning and development;
- internal communication and access to Executive Directors and Non-Executive Directors;
- involvement across projects; and
- team environment.

The input of the Chief Executive and Managing Director is crucial in these discussions and the Committee values their opinion, guidance and recommendations. During the year, we carried out a review of the organisational structure across the Group allowing us to gain a useful overall view of the team structure in place and succession plans for management and Executive Directors. We are satisfied that suitable progression, talent management and succession plans are in place for both Executive Directors and for the management layer below Board level.

The importance of employee engagement is a key factor in encouraging staff retention and the activities in this area of the Board, its committees and management are set out in the corporate governance report. All Non-Executive Directors hold meetings with employees in the absence of Executive Directors throughout the year and these meetings provide invaluable insight into the issues affecting the workforce and employee retention.

Structured employee performance reviews take place on an annual basis, with six-monthly follow-up meetings. This is part of an ongoing feedback process and provides a useful forum to identify objectives and progression throughout the Group.

During the year, an internal learning and development function was established and, together with the input from the HR Manager, this workstream ensures that employees are developed to their full potential and that training addresses any issues that may have been identified as part of the performance review process.

Succession planning continued

This forms an important part of the development and enhancement of our talent pool, facilitating an orderly succession plan, and also encourages retention of employees. This is reflected in the Group's low turnover rate, indicating loyalty and satisfaction with both the working environment and remuneration arrangements. During the year, 15 new employees were appointed and only seven resigned.

The learning and development role oversees and co-ordinates the training and personal development of employees, implementing the Group's policy of investing time and resources in its workforce. Employees are encouraged to seek development by the broadening of their skills and experience.

As part of ongoing succession planning discussions for Non-Executive Directors, the Committee gives due consideration to corporate governance guidelines on length of service. Non-Executive Directors are appointed to the Board for a fixed initial term and will typically serve a second three-year term. A third term of up to three years may be served in certain circumstances but this would only be considered following a thorough review of the individual and of the Board composition. All appointments are subject to annual re-election. Charts found earlier in this report set out the length of service of the Directors and senior management as at 30 September 2019.

Diversity and equal opportunities

The Group is committed to the principle of equal opportunity in employment and recognises the importance and value of diversity across the Board and the Group. We reviewed and updated the Group's diversity policy to ensure that it reflects current governance guidelines and to strengthen the personal responsibility of employees to comply with the policy and to strive towards our diversity objectives. Our policy promotes diversity and inclusion and ensures that there is no discrimination on the basis of age, gender, race, disability or social background. Through this policy, the Board and senior management undertake to be an inclusive employer and to eliminate discrimination. We commit to creating a culture where difference is valued and all forms of diversity are considered beneficial to the Company. We provide equality and fairness in all aspects of recruitment and employment, and ensure that equal training, development and progression opportunities are available to all employees. We will not tolerate any form of harassment, victimisation or bullying in our working environment.

In conjunction with our diversity policy, we also adopted an equal opportunities policy with the stated commitment of equality of opportunity in all areas of employment, thus ensuring that all employees and those applying to work for the Company are treated fairly and equally and offered the same opportunities. Both policies can be found on our website:
www.urbanandcivic.com/aboutus/corporategovernance.

We believe that by creating an open, diverse and inclusive working environment we encourage the optimum performance of all our employees which drives the successful attainment of our strategic goals. To a large extent, our performance is determined by the quality of our recruitment and development of employees, and by the enthusiasm and commitment to our goals by employees across the Group.

The Company ensures compliance with these policies by monitoring the composition of job applicants and resulting recruitment decisions, maintaining records to analyse the composition of our workforce (age and gender profiling), ensuring equal access to benefits, training, promotion and other opportunities and monitoring the criteria considered in the case of any dismissals and other terminations. We continuously assess the impact of our employment policies by open discussions with employees and by taking into account the views of management.

Board visit to Middlebeck, Newark.

During the year, we carried out a review of succession plans in place for management and their reports and a more general review of the diversity of the Group. In reviewing the management and reporting structure throughout the Group, we reviewed the gender diversity of senior management and their direct reports, grouped by business unit and job family.

The overriding principle for the appointment and succession plans of employees is merit and ability to perform in the role but the Group's policy is to promote gender, social and ethnic diversity and diversity for all minority groups. The Company is committed to achieving a working environment providing equal opportunities to all and we seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. We recognise the challenges faced by the property industry in addressing gender diversity and acknowledge that diversity of recruitment will be subject to the availability of suitable candidates. We actively engage with recruiters to ensure a diverse candidate selection and monitor compliance with our equal opportunities policy.

We do not tolerate any form of discrimination and all our employees are expected to act in accordance with the Group's diversity and equal opportunities policies.

Gender and ethnic diversity of the Board, senior management and employees as at 30 September 2019 is shown in the charts earlier in this report.

Board performance and evaluation

The Board undertakes performance evaluations to ensure its continued effectiveness and, as explained last year, undertook to carry out an externally facilitated evaluation at least every three years.

In 2018, the review of the effectiveness of the Board and its committees took the form of the completion by Directors of online questionnaires, with the Company Secretary collating responses and providing reports for consideration by the Chairman and the chairs of each committee. The questionnaires had been devised by Independent Audit in conjunction with the Company Secretary and covered the operations of the Board, Nomination Committee, Remuneration Committee, Audit Committee and our management and reporting of risk. The findings were discussed by the Committee and reported to the Board, which tracked progress on the outcomes identified. The 2018 process followed an external evaluation carried out by Independent Audit in 2017.

The progress against actions for the Board identified in the 2018 internal evaluation and as reported last year is as follows:

Action	Progress made
Board to review past decisions for lessons learnt.	Board meeting discussions facilitate such review.
Joint venture relationships to be further reviewed.	Grant Thornton was engaged to carry out an internal audit of joint venture relationships.
Ensure that there is scope for the Directors to further enhance and refresh their knowledge.	Directors are encouraged to seek additional training on any relevant area.
Review the role of the Remuneration Committee in light of the 2018 UK Corporate Governance Code.	The role of the Remuneration Committee has been expanded to reflect the 2018 Code requirements. Further details are found in the report of the Remuneration Committee.
Devote more time to risk discussions.	Agendas of the Audit Committee and Board devote time to risk discussions.
Nomination Committee to put in place adequate succession plans for Non-Executive Directors and senior management.	Succession plans for the Board and senior management are regularly discussed at Committee meetings.

Overall, the conclusion of the review was that the Board continues to work effectively and efficiently and operates well.

Our intention, as set out in last year's report, was to carry out an internal evaluation in 2019, being Year 3 of our evaluation cycle, and for Year 4 (2020) to see a second external evaluation process. However, in light of the changes to the Board composition and committee membership this year, it was decided to engage Belinda Hudson Limited, an independent consulting firm, to carry out an externally facilitated assessment in 2019.

Board performance and evaluation continued

This Board evaluation will cover an in-depth review of the Board and its committees, including the governance framework and the alignment between the Board and committees in terms of accountability, information and communication. The feedback will also cover a review of the Chair's performance and of individual Directors. The agreed approach is:

Phase 1	October 2019	Research and fact finding	Analysis of Board and committee papers and governance documents in addition to other published material about the Company and its operations.
	October/ November 2019	Interviews	One-to-one interviews with all Directors and the Company Secretary.
	November 2019	Board observation	Attendance and observation at a Board meeting.
Phase 2	January/ February 2020	Reporting	Written report for discussion with the Chairman. Presentation of this report at a Board meeting.
Phase 3	2020	Follow-up	Discussion and implementation of suggested areas for development.

The evaluation process not only reviews the effectiveness of the Board and its committees but also seeks to identify areas for enhancement in processes, performance and future development, enabling continuous improvement. The Committee will ensure that individual Directors and the Board as a whole address any areas where weaknesses have been identified and also enhance areas where strengths have been recognised. I will report further in next year's report.

The year ahead

We will continue our focus on succession plans for the Board and senior management, paying particular attention to succession plans for the Chair and for management below Board level, and will continue to seek to encourage diversity in the Group and to monitor compliance with the Group's diversity and equal opportunities policies. The Committee will review the results of the 2019 Board evaluation process and will monitor and oversee the adoption of any recommendations.

Annual General Meeting

All Directors are subject to annual election by shareholders. On the recommendation of the Committee, the Board considers it appropriate to propose the reappointment of those Directors seeking election or re-election at the Annual General Meeting to be held on 6 February 2020.

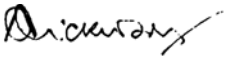
Accordingly, the following resolutions relating to the appointment of Directors will be proposed:

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

The Chairman was independent on appointment and the Board considers all other Non-Executive Directors seeking election or re-election to be independent.

Further biographical information on all Directors can be found on pages 68 and 69.

The Nomination and Governance Committee has concluded that all of the Directors seeking election or re-election continue to be effective and to demonstrate commitment to their role, and confirms to shareholders that they have the necessary skills, knowledge and experience to continue to discharge their duties effectively. 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. Further details are set out in the table on page 91 and in the notice of AGM. I hope that shareholders will support the Committee and vote in favour of these resolutions.



Alan Dickinson
Chair of the Nomination and Governance Committee
27 November 2019

Committee members

Ian Barlow (Chair)
June Barnes
Rosemary Boot

Key activities in 2018/19

- Changes to membership
- Overview of the process and fees related to the premium listing of the Company's shares
- Financial reporting including the adoption of IFRS 9 and IFRS 15
- Focus on the assessment and monitoring of risks. Ensured this is occurring at all levels of the business
- Agreed the internal audit plan and reviewed the work undertaken
- Compliance with the 2018 UK Corporate Governance Code requirements

Key focus areas for 2019/20

- Financial reporting
- Adoption of IFRS 16 'Lease Accounting'
- Monitor the impact of other planned or expected changes in financial reporting requirements
- Risk identification, management and mitigation
- Maintain and manage the ongoing internal audit programme

The terms of reference of the Audit Committee are on the Company's website: **www.urbanandcivic.com/about-us/corporate-governance/audit-committee**

"We monitor the integrity, accuracy and consistency of financial reporting to ensure that it enables an accurate assessment of the Company's position, performance, business model and strategy.

Ian Barlow
Chair of the Audit Committee

Audit Committee report

Dear Shareholder,
I am pleased to introduce the report of the Audit Committee for the financial year ended 30 September 2019. I have been a member of the Committee since September 2016 and was appointed as chair on that date. In February 2019, Jon Di-Stefano was appointed as chair of the Committee succeeding me, although I have continued to act as a member of the Committee. Subsequent to the year end, with effect from 18 November 2019 and as explained further on page 67, Jon stepped down as member and chair of the Committee and I have resumed the role of chair. Further details on the membership of the Committee are contained in this report, which also covers the key activities of the Committee during the year.

Introduction
The Committee's key responsibilities are to oversee and report to the Board on the accounting, financial reporting, risk management and internal control processes of the Group and to supervise the relationship with the external auditor.

Company position and prospects
We ensure that all financial reporting by the Board is a fair, balanced and understandable assessment of the Company's position and prospects and we specifically review the long-term viability and going concern statements and recommend their adoption to the Board. We receive reports from management and the auditor sufficient to satisfy the Committee of the integrity of financial and narrative statements and any related disclosures.

Introduction continued

Risk and internal controls

We assess the risks and risk appetite of the Group and review the procedures to manage risk and the mitigation measures in place. We report to the Board on these matters. The Board and committee structure ensures that a robust assessment of the emerging and principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity, has been undertaken. The SDC and CDC assess risk at their meetings and report to the EMC, which reviews the risk register at every meeting which is then updated as required to reflect discussions and reported upwards to the Audit Committee and ultimately to the Board. We oversee the internal control systems of the Group and agree and monitor the workstream of the internal auditor, Grant Thornton, with regular reporting by them to the Committee. We are satisfied that the internal controls in place across the Group are fit for purpose and that the Executive Directors and senior management take any appropriate action as may be identified by internal audit reports and/or Board discussions.

The Audit committee is responsible for the review of the adequacy and effectiveness of the Group's internal control and risk management systems but the Board retains ultimate responsibility. Further details are in the risk review on pages 34 to 43.

Audit function

We oversee the process of ensuring the independence, performance, quality and efficiency of the external audit performed by BDO LLP. This enabled us to assess their effectiveness.

The Committee maintains a degree of independence from, and oversight of, management to ensure appropriate protection of stakeholders' interests in respect of financial reporting, risk and internal controls. We ensure that the reporting to shareholders is clear, concise and understandable.

The Board has adopted the 2018 UK Corporate Governance Code (the '2018 Code') and the Committee abides by the principles and provisions applying to audit committees and complies with the relevant provisions set out in the FRC Guidance on Audit Committees. We ensure that the Group complies with all regulatory and governance requirements and guidelines in relation to financial reporting and accounting matters, including accounting policies and practices.

During the year

During the year, the Committee has overseen all financial reporting, with its workstreams being consistent with prior years. The Committee has spent time discussing the emergence and adoption of new accounting standards, particularly IFRS 15 on revenue recognition, the impact of which is explained in note 1 to the financial statements. We have continued to review risk management processes at all levels of the business, including the mitigation of risk. This is set out in more detail in the risk review on pages 34 to 43. We oversee the internal controls in place throughout the Group and internal audit programme. We review outputs from the reports of the internal auditor and the associated action points. This process is further explained later in this report.

Under the 2018 Code, the responsibility for whistleblowing has moved from the Audit Committee to the Board and, as a result, it is the Board that now reviews the whistleblowing process and receives regular whistleblowing reports, rather than this Committee. We updated our terms of reference to reflect this and other provisions of the 2018 Code.

Membership and meetings

During the year, the membership of the Audit Committee was reviewed by the Nomination and Governance Committee and the Board. Following the resignation of Duncan Hunter as a Non-Executive Director and member of the Committee on 13 February 2019, I was appointed as Senior Non-Executive Director and stepped down as Chair of this Committee, but remained a member. Jon Di-Stefano replaced me as Chair on the same date. On 23 May 2019, Rosemary Boot was appointed as a member of the Committee. All members are independent Non-Executive Directors. There were no other changes to the Committee membership during the year.

On 18 November 2019 and as explained further on page 67, Jon Di-Stefano stepped down as member and chair of the committee and I resumed the role of chair.

The Board is satisfied that the Committee has appropriate skills, experience and competence relevant to the Company's sector in order to fulfil its responsibilities.

This experience includes financial reporting, risk management, internal controls and strategic management.

I bring significant financial experience to the Committee as a chartered accountant with a long career in finance and accounting. I was senior partner (London) at KPMG until 2008 and am chair of the audit committees of two other listed companies. June Barnes has experience of running a large business and of risk management and Rosemary Boot has experience of working as a group finance director, as an investment banker and is currently a member of two other audit committees.

Attendance by the members of the Committee at the seven scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/ eligible to attend
Ian Barlow	Chair	Yes	01/09/16	3 years 1 month	**7/7**
June Barnes	Member	Yes	22/05/14	5 years 4 months	**7/7**
Rosemary Boot	Member	Yes	23/05/19	4 months	**2/2**

Membership and meetings continued

Committee meetings are attended by all members of the Committee, the Chief Executive, Finance Director and Company Secretary. The Chair of the Company is invited to attend all meetings. Other Directors, senior members of the finance team, the external auditor and the internal auditor attend by invitation only, if required. This enables a full contribution to the matters considered at meetings.

Agenda items are co-ordinated to an annual calendar of discussion items which is closely linked to the financial year and related reporting requirements. This ensures that the Committee carries out a timely review of all financial, audit (both internal and external), risk, regulatory and governance items to enable it to discharge its duties effectively and in accordance with its terms of reference. The Committee is satisfied that it receives sufficiently detailed and relevant information from the Company's management, external auditor and internal auditor. As Chair of the Committee I report to the Board following each Committee meeting, providing a summary of the items discussed and conclusions reached, highlighting any issues requiring Board discussion. The minutes of each Committee meeting are circulated to all Directors and reviewed at a subsequent Board meeting. The Company Secretary circulates an action list setting out the points arising from each Committee meeting together with attributed responsibility for completion and this action list is updated for monitoring and review at the next Audit Committee meeting.

Members of the Committee spend time with executive management outside of the scheduled Committee meetings, seeking guidance and clarity on any issues as required. These meetings are crucial to the process of gaining a strong understanding of key and emerging areas, thus facilitating informed and constructive discussions at committee meetings.

The Committee meets privately with the external auditor at least twice a year.

Internal audit

The Group's internal audit function is outsourced to Grant Thornton. Their role is to review the governance, risk management and internal controls framework in place across the Group.

We consider annually the need for this function and whether the Company would benefit from the establishment of an internal (rather than outsourced) function. As part of this review, we monitor the effectiveness of Grant Thornton. Having reviewed this during the year, we have confirmed to the Board that the current outsourced arrangement works efficiently, is productive, beneficial to management and the Board in our oversight role and cost effective to the Group. We have therefore recommended that this arrangement should remain in place. It is designed to cover all key areas of financial and enterprise controls over a three year cycle.

At each meeting, the Audit Committee reviews updated reports from Grant Thornton on the audits in progress and the review of findings from completed audits, including a schedule of actions identified and management's response to, and implementation of, any recommendations. We monitor the progress made against these recommendations with Grant Thornton reporting to the Committee on any areas where action has been identified but not completed. Grant Thornton discuss first with management and then report to the Committee on the explanation if any specific recommendation was not actioned and also assess and evaluate any other mitigations that may have been put in place. We also received a report on the alignment of key risks to the internal audit plans. Grant Thornton regularly attend Audit Committee meetings, presenting an opportunity for an in-depth discussion of their reports.

The Committee is satisfied that Executive Management has provided adequate assurance that the Group's internal controls are working effectively and is also satisfied that Grant Thornton's review of internal controls has not highlighted any significant weaknesses or failures in the operations and processes of the Group.

The Committee approves the internal audit programme of work and holds this under review in light of progress made on audits and issues arising from the reports.

The internal controls review during the year ended 30 September 2019 covered:

Investments and divestments

- Assessment of the procedures in place when making investment and divestment decisions.

Outsourced contract management

- Review of the effectiveness of the governance in place when outsourcing contracts.

Health and safety

- Review of the processes for identifying and mitigating key risks that could affect the Company's ability to operate.

Previous audits

- A detailed follow-up on actions from previous audits.

The audit cycle is now in its third year and we have assessed the scope and value of the audits that have been done to date and have assessed which areas require follow-up or should be repeated. The proposed 2019/20 audits will cover:

Property and estate management

- To review the processes and controls in place and the mitigation of key property risks.

Risk management

- To assess the adequacy of the risk management framework for identifying and managing key risks.

The Catesby Estates business unit

- To review financial controls and the reporting and maintenance of accurate financial records.

HR and succession planning

- To cover various areas within the HR function including the compliance with key Group policies and regulations.

In 2019/20 we will plan the next three-year cycle so that we continue to gain assurance over all areas on which we make assumptions on the controls in place within the Group.

External audit

The Committee is responsible for overseeing the relationship with the external auditor and for reviewing the terms of their engagement and remuneration, their independence, their effectiveness and the quality of their output.

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

The Audit Committee reviews annually the effectiveness and quality of the external auditor taking into account their independence, objectivity, expertise and resources and has concluded that both the audit and audit process were effective. The key elements of this judgement are informed by:

- the manner in which the audit plan was fulfilled;
- the observed quality of BDO's assessment of, and challenge to, the key accounting and audit judgements;
- the content of the audit clearance report issued by them; and
- the completion of an effectiveness questionnaire by Committee members and key members of the finance team.

The questionnaire assessed the execution of the audit plan, the understanding and performance of the auditor during the year-end audit, the relationship with and, as appropriate, the challenge to management and the quality of the reporting to the Committee. BDO also provides an annual report on their independence and objectivity and their compliance with statutory, regulatory and ethical standards. The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

During the year the Committee approved the audit and non-audit fees paid to BDO. The non-audit fees related to the interim review and to work undertaken in connection with the transfer of the listing category of the Company's ordinary shares from the Standard Listing segment to the Premium Listing segment of the Official List of the Financial Conduct Authority.

Details of the total Group auditor fees paid to the external auditor for the year ended 30 September 2019 are set out below and in note 3 to the accounts.

Year to 30 September	2019 £'000	2018 £'000	2017 £'000
Audit fees	311	262	252
Review of interim results	43	37	36
Non-audit fees	79[1]	42[1]	—
Total	433	341	288
Non-audit fees (including interim review) as a percentage of total fees	28%	23%	13%

1. Fees incurred for reporting accountant services in relation to the Company's premium listing application.

We do not consider that the non-audit work impacted the independence and objectivity of the external auditor and confirm that the fees were incurred in accordance with our policy for the provision of non-audit services. This policy ensures that the independence and objectivity of the auditor are maintained.

After reviewing the external auditor's performance during the year, the Committee has concluded that BDO remain effective in their role as external auditor and recommends to the Board that they be reappointed for a further year. A resolution to this effect and a resolution to authorise the Directors to set the remuneration of the auditor will be proposed at the 2020 AGM. I hope that shareholders will support the Committee and vote in favour of these resolutions.

Main activities of the Committee during the year ended 30 September 2019

Financial reporting

- Ensured that the information contained in the 2018 Annual Report was accurate and that the information contained in the strategic report was consistent with the financial statements and notes to the accounts. We reviewed the appropriateness of the Group's policies, assumptions, judgements and estimates as applied by management to the financial statements.
- In respect of the financial year ended 30 September 2018, reviewed and approved the letter of representation and external auditor's letters of engagement.
- Discussion of the audit findings report in relation to the financial year ended 30 September 2018.
- Discussion and assessment with the external auditor on the following significant areas of judgement in relation to the year ended 30 September 2018:
  - Valuation of investment properties and carrying value of trading properties – the Committee discussed the valuation of each property with the external valuers and/or management if held at Directors' valuation. The Committee assessed the integrity of the valuation process. Key judgements and assumptions applied to each valuation were considered as well as the valuation movement in the year. The Committee considered the key inputs to the discounted cash flow model (used for the largest assets valued, Alconbury Weald, RadioStation Rugby, Priors Hall, Newark and Waterbeach) or other valuation models and concluded that the assumptions applied were appropriate.
  - Revenue and profit recognition – consideration of revenue and profit recognition in respect of sales of residential land parcels and individual units constructed on strategic sites, assessing the conditions of the licence arrangements, with the conclusion that they were appropriate.
- Approval of the going concern and long-term viability statements and supporting documents including the business plan and five-year forecast.
- Review and recommendation to the Board the approval of the audited financial statements and preliminary announcement of results of the Group for the year ended 30 September 2018 and the Group's interim financial statements and announcement of results for the six months to 31 March 2019 together with the respective investor presentations of results, concluding that the presentations were consistent with the audited financial statements.
- Review of the audit planning report prepared by the external auditor in relation to the year ended 30 September 2019, confirming materiality thresholds and agreeing the key audit matters for consideration by the auditor as part of the audit.
- Review and approval of audit and non-audit fees incurred by the external auditor.
- Approval of the audit timetables for the 2019 half year and year end.
- Assessment of the impact of new accounting standards and the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers'.
- Review and approval of the Group policy for the accounting treatment of promotion agreements, having received assurance from the external auditors that they agreed with our approach.
- Discussion of dividend recommendations for the final dividend for the year ended 30 September 2018 and the interim dividend for the year ended 30 September 2019, in line with the Company's dividend policy.

Governance

- Approval of the procedures in place in relation to the delegation of authorities for incurring expenditure, prior to approval by the Board.
- Review and assessment of the credit checks process in place in relation to the appointment of third party contractors.
- Review, on a six-monthly basis, declarations made by Directors and employees under the Group's gifts and hospitality policy above an agreed threshold.
- Review at each meeting of reports on the Group's actions to ensure compliance with General Data Protection Regulation.
- Review of charitable donations made by the Group during the year under review and confirmation that these donations were in compliance with the Group's charitable donations policy.
- Assessment of its own performance against the role and responsibilities set out in its terms of reference. Further assessment of the effectiveness of the performance of the Committee will be considered as part of the 2019/20 Board evaluation process.
- Review of terms of reference in light of the 2018 Code and best practice recommendations and approval of changes for recommendation to the Board for adoption.

Main activities of the Committee during the year ended 30 September 2019 continued

Risk and internal controls

- Assessment of the Group's risk management framework and risk appetite.
- At each meeting the Committee receives a report on key risks and a summary of movement during the financial year to date and reviews the mitigation measures in place and the impact of this mitigation on the risk profile. This enables a review of the effectiveness of risk management processes.
- Approval of the risk review for inclusion in the 2018 Annual Report and Accounts.
- Further details on the Group's key risks and our approach to risk management are found in the risk review on pages 34 to 43.

Internal and external audit functions

- The Group's internal and external audit arrangements and activities during the year are explained elsewhere in this report.

Other activities

- The Committee oversaw the process of the transfer of the listing category of the Company's ordinary shares from the Standard Listing segment to the Premium Listing segment of the Official List of the Financial Conduct Authority and approved the fees of external advisers, including the external auditor, in relation to this work.
- The Committee provided assistance to the Remuneration Committee by providing verification of the assessment of the achievement of the cash generation targets for the year ended 30 September 2018, in relation to the Directors' bonus objectives.

Training and development

The Committee received briefing updates on financial reporting, covering the following areas:

- Accounting standards relating to revenue and financial instruments
- Accounting treatment of leases
- Brexit disclosures
- Critical judgements and estimates disclosures
- Developments in narrative reporting

> The Committee's focus for the year ending 30 September 2020 will be the ongoing assessment of risk identification, management and mitigation within the Group and continued overview of the internal controls programme.

Financial year ended 30 September 2019

Since the year end, the Committee has reviewed and recommended Board approval of the Annual Report and Accounts and preliminary announcement for the year ended 30 September 2019 and the investor presentation of results. We are satisfied with the integrity of the financial statements and have reviewed the significant financial reporting judgements as set out below. The Committee is satisfied with the accuracy and consistency of information included in the Annual Report and Accounts for the year ended 30 September 2019 and that, taken as a whole, they are fair, balanced and understandable and that the financial statements represent a true and fair view of the financial state of the Group and enable an accurate assessment of the Company's position, performance, business model and strategy.

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, has assessed the prospects and financial viability of the Group and has approved the long-term viability statement set out on page 33.

Financial reporting and significant judgements

The significant areas of judgement considered by the Committee and discussed and assessed with the external auditor in relation to the year ended 30 September 2019 were as follows:

1) 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. These valuations also inform the calculation of EPRA NAV and EPRA NNNAV and at 30 September 2019 the total EPRA value of the Group's property interest was £702.5 million, comprising investment properties, trading properties, properties within property, plant and equipment, property related trade and other receivables and the Group's share of properties and related receivables held under both joint ventures and joint operations. CBRE, independent valuers valued 96 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.

2) Revenue and profit recognition

The Committee considered revenue and profit recognition under IFRS 15 for the first time during the year in respect of sales of residential land parcels on its strategic sites.

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.

Future accounting changes

The Audit Committee has been briefed by management and the external auditor on the effect of the following new accounting standard from the financial year 2020 onward.

IFRS 16 'Lease Accounting'

Leases will now be required to be brought on balance sheet as both a right to use asset and an associated liability. This new standard will result in the Group bringing on balance sheet operating leases for the first time. The impact of the incoming standard on this year's results, which is not expected to be significant, is set out in note 1 of the financial statements.

2019/20 priorities

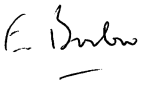
The Committee's focus for the year ending 30 September 2020 will be the ongoing assessment of risk identification, management and mitigation within the Group and continued overview of the internal controls programme.

The next phase of the internal controls review will cover property and estate management, risk management, the Catesby Estates business unit and HR and succession planning.

The Committee will also continue to focus on financial reporting related to the half year and year-end processes. During the year ending 30 September 2020, the Committee will work with management and the auditor to ensure appropriate adoption of the new accounting standard as discussed above.

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

I look forward to meeting shareholders at the 2020 AGM to answer any questions on the Audit Committee's activities and responsibilities.



Ian Barlow
Chair of the Audit Committee
27 November 2019

Committee members

June Barnes (Chair)
Ian Barlow
Rosemary Boot
Sanjeev Sharma

Key activities in 2018/19

- New members appointed to the Committee
- Review of the impact of the 2018 UK Corporate Governance Code
- Approval of the remuneration for Executive Directors and senior management
- Review of workforce remuneration policies
- Amendment to Group policies
- Review of terms of reference

Key focus areas for 2019/20

- Review the remuneration policy prior to seeking approval at the 2021 AGM
- Review workforce remuneration arrangements and alignment with the Directors' remuneration policy
- Set the remuneration for Executive Directors and senior management
- Review of continuing evolvement of governance standards and best practice
- Continue the workstreams already in process in relation to the 2018 UK Corporate Governance Code
- Consider additional ways to engage with employees on the remuneration policies in place for Executive Directors and senior management

The terms of reference of the Remuneration Committee are on the Company's website: **www.urbanandcivic.com/about-us/corporate-governance/remuneration-committee**

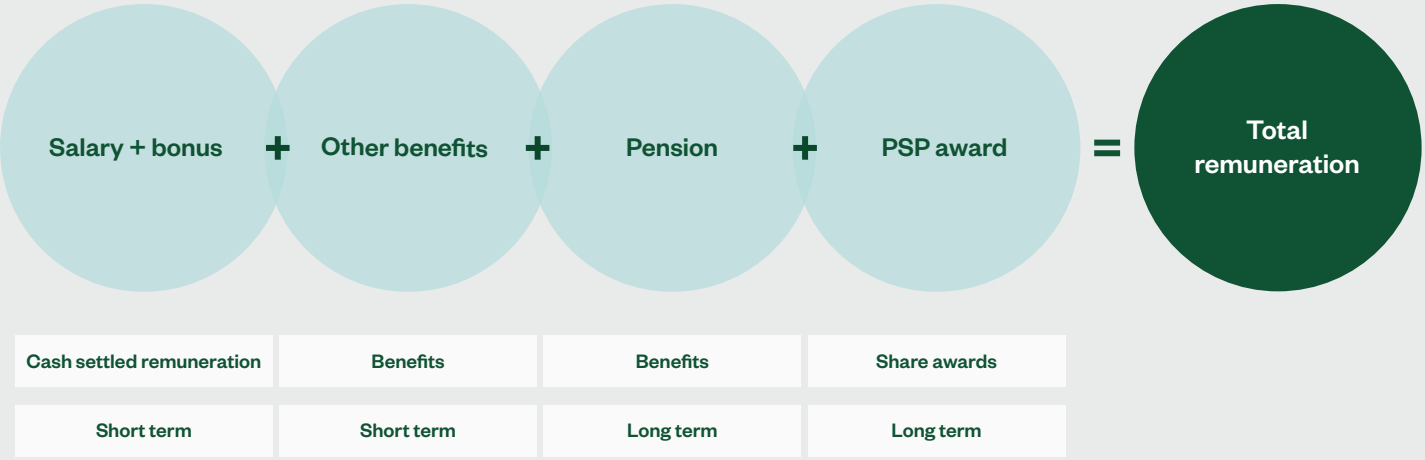
"The Remuneration Committee continues to lead discussions on remuneration of Executive Directors and senior management and on the wider Group policies. We aim to apply best practice across our remuneration structure.

June Barnes
Chair of the Remuneration Committee

Directors' remuneration report

This Directors' remuneration report is divided into the following sections:

Remuneration at a glance



Group performance in 2019

EPRA NAV

£527.5m

EPRA NAV per share

360.3p

Cash flow generation from plot completions

£34.3m

TSR

7.8%

Dividends per share[1]

3.6p

1. Paid during the year.

Remuneration across the Group

Total spend on pay

£14.9m

Average increase to Executive Directors' base salaries[1]

2.5%

Average increase to employees' base salaries[1,2]

2.5%

97%

of the workforce[2] received a bonus in respect of the year ended 30 September 2019

79%

of the workforce[2] were granted PSP awards during the year ended 30 September 2019

1. 1 October 2018 to 1 October 2019.
2. Employees other than Executive Directors.

INTRODUCTION

Dear Shareholder,

I am pleased to introduce the Directors' remuneration report for the financial year ended 30 September 2019.

I have chaired the Remuneration Committee since 2017. I led the evolution of the current Directors' remuneration policy, as approved by shareholders at the 2018 AGM, and have overseen its implementation since that date.

This introduction covers the key activities of the Committee over the year, work undertaken in relation to the 2018 UK Corporate Governance Code (the '2018 Code') and an overview of expected activities for the year ahead. This is followed by the Directors' remuneration policy and a report on the operation of the policy during the year under review. The annual report on remuneration contains details of payments during the financial year and how we intend to implement the remuneration policy for the next financial year. This part of the report is subject to an advisory vote at the 2020 AGM.

> "The Committee ensures that the remuneration policy and practices for senior management and the wider workforce are aligned with the policy for Executive Directors.

Introduction

The Remuneration Committee's key role is to ensure that the remuneration policy for Executive Directors is appropriately designed to promote the long-term success of the Company and is a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives and to align their pay and incentives with the delivery of these objectives and with financial returns for shareholders. The Committee ensures that the remuneration policy and practices for senior management and the wider workforce are aligned with the policy for Executive Directors.

The remuneration structure takes into account the performance of the Group and of individuals. The Committee also considers market comparisons and the attraction, retention and motivation of high calibre individuals throughout the Group. The Committee is responsible for the remuneration structure for senior management, which has been defined as members of the Executive Management Committee, and has oversight of Group workforce reward policies and remuneration and benefits for all employees. The Committee works with the Group's HR Manager (who was appointed during the year) and, where appropriate, with external consultants, to ensure that remuneration levels for employees are in line with market expectations for their level and contribution to the Company. Executive management, in conjunction with the HR Manager, assesses the structure and groupings of job families which ensures analysis and comparison of comparable roles to ensure a consistency of approach across the Group. The Committee reviews all elements of remuneration, including salaries, pension, bonus and PSP awards, which provides a comparison of total remuneration rather than focusing on individual elements.

The Committee reviews the performance of Executive Directors against agreed objectives when considering remuneration. Objectives for all other employees, including senior management, are identified as part of the annual performance review process and are assessed in relation to remuneration awards.

The Executive Directors review the performance objectives of senior management and it has been agreed that they will report back to the Remuneration Committee with an assessment of performance against these objectives. This will enable the Committee to have a clear oversight of the performance objectives of senior management. The Board also reviews the business plans and budgets of projects, which reflect team objectives.

All employees have defined maximum bonus opportunities upon which the payment of any bonus depends.

During the year

We have spent considerable time reviewing the new governance requirements. We have looked at the ways in which we already comply with the 2018 Code and the actions required to ensure full compliance. Included in this report is a summary which sets out the work we have undertaken to date and the areas on which we remain focused. The Committee's terms of reference have been updated to reflect the recommendations of the 2018 Code and are available on the Company's website.

The Committee also reviewed the current Directors' remuneration policy during the year to ensure that it is working effectively, is aligned to the interests of shareholders and stakeholders and is operating in line with the Company's long-term business strategy, culture and values. No changes are proposed at the 2020 AGM and it is anticipated that any revisions to the policy will be proposed at the 2021 AGM. The structure of our remuneration arrangements for 2019/20 will therefore remain unchanged from that applied in 2018/19.

The Group has adopted a policy of paying more than the living wage benchmark published by the Living Wage Foundation and is committed to providing a fair wage for all employees. The Group operates generous benefits policies in which all employees are eligible to participate.

Membership and meetings

During the year, the membership of the Remuneration Committee was reviewed by the Nomination and Governance Committee and the Board. On 23 May 2019, Rosemary Boot and Sanjeev Sharma were appointed as members of the Committee. Duncan Hunter resigned as a Non-Executive Director and member of the Committee on 13 February 2019. There were no other changes to the Committee membership during the year. Jon Di-Stefano will be appointed as a member of the Committee with effect from 1 January 2020.

Attendance by the members of the Committee at the five scheduled meetings held during the year ended 30 September 2019 is shown below:

		Independent	Date of appointment to the Committee	Committee tenure as at 30 September 2019	Meetings attended/ eligible to attend
June Barnes	Chair	Yes	01/07/17	2 years 3 months	**5/5**
Ian Barlow	Member	Yes	01/09/16	3 years 1 month	**5/5**
Rosemary Boot	Member	Yes	23/05/19	4 months	**1/1**
Sanjeev Sharma	Member	Yes	23/05/19	4 months	**1/1**

Committee meetings are attended by all members of the Committee and the Company Secretary. Other Directors and advisers attend by invitation. Throughout the year the Committee was advised by Aon Hewitt as independent remuneration consultants. 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. This process is managed by the Company Secretary who updates the calendar on a regular basis to ensure that it is current and reflects up-to-date guidance and requirements. We receive regular updates on governance, market and best practice developments and review our role and the operation of our policies taking this into account. We aim to apply best practice in our remuneration policies.

A summary of the key agenda items discussed during the year is set out later in this report.

Employee engagement

We have three Executive Directors and c.90 permanent employees with 14 members of senior management, all of whom are members of the Executive Management Committee.

Average length of service is:

Executive Directors	9.76
Senior management	8.98
All other employees	5.22

The Group has established a learning and development function enabling employees the opportunity to enhance their skills and to develop in their roles. This helps employees to meet their career aspirations and provides an ideal opportunity to identify and cultivate succession plans throughout the Group, encouraging stability.

We continue to be committed to the retention and development of our workforce and to ensure that Urban&Civic continues to be a company that seeks to attract, retain and reward top talent, while not overpaying.

A description of our engagement with the workforce is found in the corporate governance report.

Corporate governance during the year

The Company is not required to report on its compliance with the 2018 Code until the financial year ending 30 September 2020 but, as reported last year, has sought early adoption. The Company Secretary carried out a detailed analysis of the provisions of the 2018 Code and presented the results and recommendations to the Committee, which reviewed proposed actions in conjunction with guidance from the Company's advisers. As a result, we have made some changes to our operation.

The following is a summary of the key provisions of the 2018 Code relating to remuneration committees and the actions taken to address them during the year. The Committee will continue to monitor and consider best practice and market trends in relation to these requirements.

INTRODUCTION CONTINUED

Corporate governance during the year continued

Area	2018 Code provision	Action taken
Performance objectives	Non-Executive Directors should scrutinise and hold to account the performance of senior management and individual Executive Directors against agreed performance objectives.	The Remuneration Committee has in place an established process for the review of the performance of Executive Directors. During the year, the Committee reviewed the process by which it reviews the performance objectives of senior management, as described elsewhere in this report.
Remuneration committee chair	Before appointment as chair of the remuneration committee, the appointee should have served on a remuneration committee for at least 12 months.	The current Chair of the Remuneration Committee had not served as a member of the Committee for 12 months at the time of appointment as Chair, which took place prior to the introduction of the 2018 Code. She had, however, attended several meetings as an observer in advance of the appointment, providing knowledge and experience of how the Committee operates. When forward planning for the appointment of the next Remuneration Committee Chair, the Nomination and Governance Committee will ensure that any candidate has previously served as a member of a the Remuneration Committee for 12 months. The terms of reference have been amended to reflect these requirements.
Senior management and workforce	The remuneration committee should determine the policy and set remuneration for the chair, executive directors and senior management. It should review workforce remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.	The remit of the Remuneration Committee has been expanded to include the setting of the level and structure of remuneration (rather than just overview) for senior management and the review of workforce remuneration and related policies. The terms of reference have been amended to reflect the above requirements.
Post-employment shareholding requirements	The remuneration committee should develop a formal policy for post-employment shareholding requirements.	The current remuneration policy includes share ownership requirements for Executive Directors. The Committee has held some initial discussions on the introduction of post-employment shareholding requirements and will review further in 2019/20.

Area	2018 Code provision	Action taken
Share awards	Share awards should be released for sale on a phased basis and be subject to a total vesting and holding period of five years or more.	PSP awards for Directors are already subject to a three-year vesting period and two-year holding period.
Discretion and judgement	Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes and should include provisions to enable the company to recover and/or withhold payments.	The Remuneration Committee reviewed proposed amendments to the rules of the Group's Annual Bonus Plan and Performance Share Plan to update them in line with the 2018 Code recommendations. The amendments introduced discretion to override formulaic vesting outcomes and reviewed malus and clawback provisions. These amendments have been approved by the Board.
Pension alignment	Pension contribution rates for executive directors, or payments in lieu, should be aligned with those available to the workforce.	The Committee reviewed the pension provisions for Executive Directors and the workforce. The Group currently operates a non-contributory scheme offering a 10 per cent contribution to an employee's pension scheme (or salary equivalent). The rate for incumbent Executive Directors is 15 per cent salary but new Executive Directors will receive 10 per cent salary, in line with the workforce. The Committee will keep the rates for incumbent Directors under review in 2019/20.
Workforce engagement	The remuneration committee should report on what engagement has taken place with the workforce.	Our engagement with the workforce is described in more detail in the corporate governance report. Options are being considered to discuss remuneration policies and resultant pay with employees, through our employee engagement mechanism.
Policy and practices	Remuneration policy and practices should support clarity, simplicity, risk, predictability, proportionality and alignment to culture.	The Committee will address this as part of its review of the remuneration policy during 2019/20 and in its setting of objectives for the Executive Directors.

Main activities of the Committee during the year ended 30 September 2019

Salary and bonus

Approval of salary increases to take effect from 1 October 2018 for Executive Directors and senior management, and review of awards for the wider workforce.

Assessment of the achievement of the Executive Directors' bonus objectives for the financial year ended 30 September 2018 and determination of the bonus for Executive Directors based on the achievement of these objectives.

Approval of bonus awards to senior management and review of awards to all other employees, based on recommendations by management and noting the performance metrics applied by management in proposing these awards.

Approval of the vesting of the deferred share bonus awards granted in respect of the financial year ended 30 September 2016, in accordance with the rules of the Annual Bonus Plan and the Deferred Share Bonus Scheme adopted by the Company in 2016.

Review and approval of the Executive Directors' bonus objectives for the year ending 30 September 2019 and interim review of the progress by the Executive Directors on the achievement of these objectives.

Review of shifts in salary and bonus trends across the Group.

PSP awards

Assessment of the achievement of the performance conditions of the PSP awards granted in June 2016, in respect of the performance period 1 October 2015 to 30 September 2018.

PSP awards were granted in December 2018 which are expected to vest in December 2021 subject to performance conditions. The Committee reviewed and approved the PSP awards to Executive Directors, senior management and all other employees, and agreed the performance conditions in respect of the performance period 1 October 2018 to 30 September 2021.

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.

Governance

Review and action relating to the introduction of the 2018 Code and agreement of 2019/20 workstream.

Review of schedule of compliance with share ownership guidelines for both Executive Directors and selected members of senior management.

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.

Review and approval of 2018 Directors' Remuneration Report for inclusion in the 2018 Annual Report.

The Committee reviewed and updated its terms of reference to reflect its expanded remit and responsibilities under the 2018 Code and best practice guidelines.

Received training (in the form of briefings and presentations at Committee meetings) on reporting requirements, the implications of the 2018 Code and other remuneration related matters.

Workforce

Review of management responses to a third party compensation review, which covered the methodology and benchmarking applied to workforce remuneration and included an analysis of market trends.

Approval of the structure and criteria for the assessment of employees' bonuses with objectives defined as 50 per cent corporate goals, 30 per cent personal goals and 20 per cent business unit goals, in line with the structure for Executive Directors.

Annual review of joiners and leavers.

Performance and reward in the year to 30 September 2019

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 2019 are discussed in the strategic report on pages 4 to 63. The Group has reported a total comprehensive income for the year of £12.6 million, IFRS net assets of £403.0 million and EPRA net assets of £527.5 million at 30 September 2019, 3.6 per cent and 9.6 per cent higher compared against the same respective net asset valuations at 30 September 2018. Reflecting performance against EPRA net asset growth targets, individual performance of the Executive Directors against their personal objectives and performance against cash generation targets, annual bonus awards for the Executive Directors for the year ended 30 September 2019 were between 61.4 and 64.4 per cent of salary (out of a possible 100 per cent). 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 changes to the salaries of the Executive Directors are set out in the annual report on remuneration.

Performance Share Plan awards

PSP awards granted in December 2016 are due to vest in December 2019, based on performance from 1 October 2016 to 30 September 2019. Following an assessment of performance, 72.2 per cent of the shares are expected to vest. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Further details are set out in the annual report on remuneration.

The Committee intends to grant awards under the PSP rules for the performance period from 1 October 2019 to 30 September 2022 within six weeks of the announcement of the results for the year ended 30 September 2019. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and absolute TSR conditions. We believe that the TSR measure directly aligns our executive team with the value created for shareholders over the long term.

The year ahead

The main focus of the Committee in the coming year will be to further develop its role in line with the provisions of the 2018 Code and to continue the development of the employees' reward framework, including the setting of senior management remuneration and the oversight of remuneration policies for all Group employees. We will ensure the alignment of workforce remuneration arrangements with the remuneration policy. We will also continue to review the ways we communicate senior pay issues.

We will continue to assess the role of the Committee to reflect corporate governance requirements, institutional shareholder guidelines and best practice.

We will be reviewing our current remuneration policy and remuneration arrangements during the year ahead and any changes will be proposed to shareholders at the 2021 AGM. Performance will be rewarded with transparent and competitive remuneration and will support the strategic aims and values of the Group.

We will continue to monitor gender pay.

Engagement with shareholders

We consulted our major shareholders when reviewing our remuneration policy in 2017 (prior to approval at the 2018 AGM), engaging with them on all of the proposed policy changes. During the year ended 30 September 2019, there were no changes to the remuneration policy or issues of concern raised on remuneration by shareholders and therefore there was no specific consultation with shareholders on remuneration. We intend to carry out a review of the remuneration policy next year, prior to seeking approval at the 2021 AGM. We will seek consultation with our major shareholders on any proposed changes and we will welcome and encourage engagement with shareholders during this process.

All Committee members attend the AGM and are available to answer any queries the shareholders may have.

If you would like to discuss any aspect of the remuneration policy, please contact me through the Company Secretary, Heather Williams on heather.williams@urbanandcivic.com.

2019 AGM

I hope you find this remuneration report clear and informative and I look forward to receiving your support for the resolution to approve the annual report on remuneration at the 2020 AGM.

June Barnes
Chair of the Remuneration Committee
27 November 2019

DIRECTORS' REMUNERATION POLICY REPORT

The following is the Directors' Remuneration Policy report, as approved by shareholders at the 2018 AGM. There have been no changes since that date. In the interest of clarity, some minor updates are made when necessary to reflect changes to base salaries which occur during the policy's effective period.

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

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

Summary of remuneration policy

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

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

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

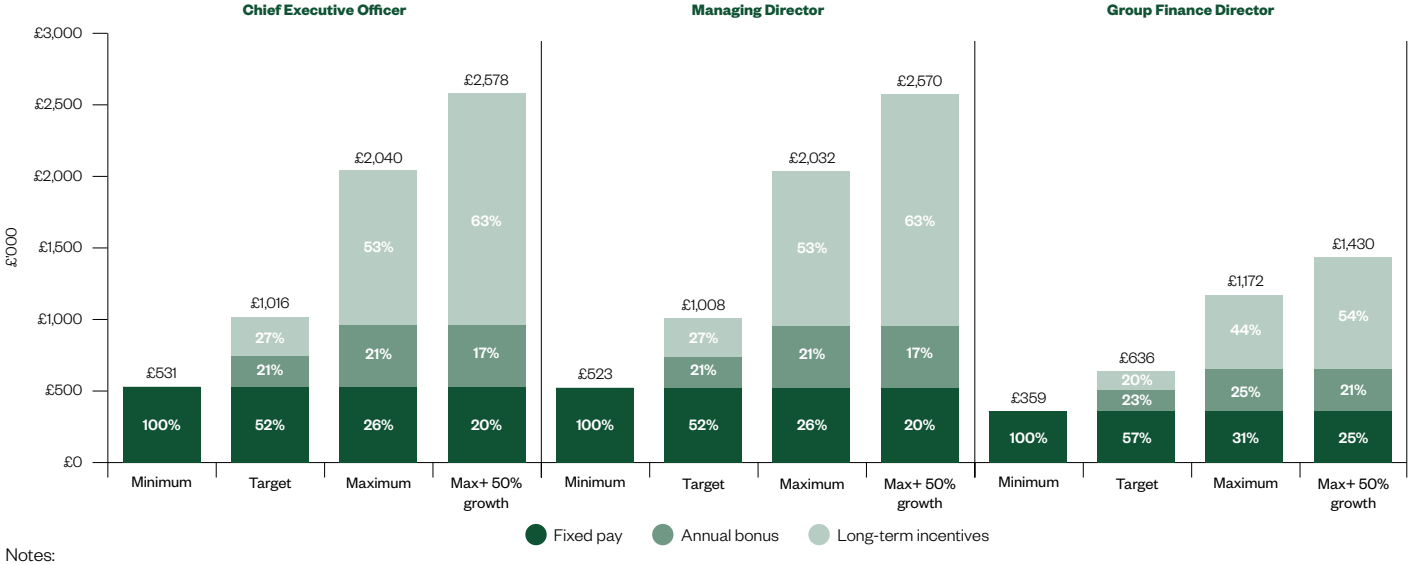
Notes:

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

DIRECTORS' REMUNERATION POLICY REPORT CONTINUED

Reward scenarios

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



Notes:

1. The minimum performance scenario comprises the fixed elements of remuneration only, including:
   - salary, as set out in the annual report on remuneration;
   - pension (15 per cent of salary); and
   - benefits are approximated.
2. The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity, and the on-target level of PSP vesting is assumed to be 25 per cent of the face value of the PSP award. These values are included in addition to the components/values of minimum remuneration.
3. Maximum remuneration assumes full bonus pay-out (100 per cent of salary only) and the full face value of the PSP (i.e. 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 intended award sizes for the 2019 PSP grants. They are within the policy maximums of 300 per cent for the CEO and MD, and 275 per cent of base salary for the FD.

Approach to recruitment and promotions

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

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

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

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

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

Service contracts for Executive Directors

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

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

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

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

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

Non-Executive Directors

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

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

ANNUAL REPORT ON REMUNERATION

How the remuneration policy was implemented in the year ended 30 September 2019

Directors' remuneration

The details set out on pages 118 to 125 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	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000	**2019 £'000**	2018 £'000
Executive Directors																
Nigel Hugill[6]	**421**	408	**35**	34	**271**	354	**884**	310	**63**	61	**519**	503	**1,155**	664	**1,674**	1,167
Robin Butler[7]	**421**	408	**27**	26	**271**	354	**884**	310	**63**	61	**511**	495	**1,155**	664	**1,666**	1,159
David Wood	**288**	280	**19**	17	**177**	234	**513**	278	**43**	42	**350**	339	**690**	512	**1,040**	851
Non-Executive Directors																
Ian Barlow	**60**	60	**—**	—	**—**	—	**—**	—	**—**	—	**60**	60	**—**	—	**60**	60
June Barnes[8]	**60**	55	**—**	—	**—**	—	**—**	—	**—**	—	**60**	55	**—**	—	**60**	55
Rosemary Boot[9]	**18**	—	**—**	—	**—**	—	**—**	—	**—**	—	**18**	—	**—**	—	**18**	—
Alan Dickinson[10]	**148**	125	**—**	—	**—**	—	**—**	—	**—**	—	**148**	125	**—**	—	**148**	125
Jon Di-Stefano[11]	**55**	45	**—**	—	**—**	—	**—**	—	**—**	—	**55**	45	**—**	—	**55**	45
Sanjeev Sharma[9]	**18**	—	**—**	—	**—**	—	**—**	—	**—**	—	**18**	—	**—**	—	**18**	—
Duncan Hunter[12]	**22**	60	**—**	—	**—**	—	**—**	—	**—**	—	**22**	60	**—**	—	**22**	60

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 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, 72.2 per cent of the shares are expected to vest in December 2019. As the awards have not yet vested, the figures shown in the table are based on the average share price in the three months to 30 September 2019, which is 316.0p. The 2018 long-term incentive disclosure refers to the awards granted in June 2016 which had a performance period which ran from 1 October 2015 to 30 September 2018. Following an assessment of performance, 59.7 per cent of the shares vested on 21 June 2019. These figures have been restated from last year's report using the actual share price on the vesting date (322.0p). 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 2018 (303.98p). Further details relating to performance targets, weightings and outcomes can be found on page 120.
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. Benefits for Nigel Hugill for 2018 have been restated to include a company car expense claim relating to 2018 which was paid in the 2019 financial year.
7. 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 2019, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2018: £20,000).
8. Director's fee increased from £55,000 p.a to £60,000 p.a on 1 November 2018.
9. Rosemary Boot and Sanjeev Sharma were appointed as Directors on 10 May 2019.
10. Chairman's fee increased from £125,000 p.a to £150,000 p.a. on 1 November 2018.
11. 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. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced to £50,000 on that date.
12. Duncan Hunter resigned on 13 February 2019.

Determination of the annual bonus for the year ended 30 September 2019

The annual bonus for the year ended 30 September 2019 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. The total bonus payable was 64.4 per cent of base salary for Nigel Hugill, 64.4 per cent of base salary for Robin Butler and 61.4 per cent of base salary for David Wood. Further details are set out below.

EPRA NAV growth

EPRA NAV at 30 September 2019 was £527.5 million. This resulted in 27.9 per cent of base salary (out of a possible 50 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2019, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£501.8m	10 per cent of base salary
Target	£519.2m	25 per cent of base salary
Maximum	£548.2m	50 per cent of base salary

Determination of the annual bonus for the year ended 30 September 2019 continued

Personal/strategic objectives

Personal objectives for the year ended 30 September 2019 were set to measure the individual performance of Executive Directors and included:

Executive Director	Personal objective	Assessment of achievement
Nigel Hugill	• Maintenance and enhancement of relationships with institutional investors.	• Continued positive relationship with key shareholders. Recovery and stability in the share price. Achievement of Premium Listing.
	• Development of long-term funding sources.	• Funding relationships are supportive and stable. Particularly strong relationship with Homes England.
	• Drive progress in achieving planning consents on strategic sites.	• Key achievement during the year was the grant of outline consent at Waterbeach.
	• Maintenance of high quality corporate governance.	• Corporate Governance continues to develop as the organisation grows.
Robin Butler	• The sourcing of additional strategic sites.	• Continued presentation of development opportunities.
	• Delivery of projects in line with budget and agreed timescales.	• Overall strong, consistent progress across the delivery of all sites.
	• Maintain strong leadership across the Group and management and motivation of staff. Development of appropriate management and succession planning structures.	• Excellent progress on strengthening management structures and processes as the organisation continues to grow.
	• Drive overall performance of Catesby business.	• Performance is strong with significant achievement during a challenging period.
David Wood	• Development of banking and funding relationships to ensure adequate funding of Group borrowing needs.	• Continued positive relationship with Homes England. Bank facilities with HSBC now in place.
	• Maintenance and enhancement of relationships with institutional investors.	• Good progress on building a relationship with institutional investors, working closely with the Chief Executive.
	• Achieve Premium Listing on time and on budget.	• Achievement of Premium Listing.
	• Management and development of all external and Board reporting.	• Considerable progress in improving financial reporting at all levels.

The Committee scored the Executive Directors' individual performance based on an unweighted objective assessment of the level of attainment of each of the Executive Directors having regard to specific areas of responsibility. The Committee approved payments related to personal objectives in the range of 20.4 per cent to 23.4 per cent being paid to current Executive Directors as set out in the table below:

Executive Director	Maximum amount payable	Actual amount payable
Current Directors		
Nigel Hugill	30 per cent of base salary	23.4 per cent payable
Robin Butler	30 per cent of base salary	23.4 per cent payable
David Wood	30 per cent of base salary	20.4 per cent payable

Cash generation

Cash generated from completions on strategic sites during the year ended 30 September 2019 was £34.3 million. This resulted in 13.1 per cent of base salary (out of a possible 20 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2019, and the associated potential bonus payments, were as follows:

Annual bonus target	Revenue	Bonus payable
Threshold	£26.0m	4 per cent of base salary
Target	£33.3m	10 per cent of base salary
Maximum	£36.5m	20 per cent of base salary

Board changes/payments for loss of office

During the year, Rosemary Boot and Sanjeev Sharma were appointed to the Board as Non-Executive Directors on 10 May 2019. Duncan Hunter resigned as Non-Executive Director on 13 February 2019. On the same date, Ian Barlow was appointed as Senior Independent Director and Jon Di-Stefano was appointed as Chair of the Audit Committee (succeeding Ian Barlow) and a member of the Nomination and Governance Committee. On 23 May 2019, Rosemary Boot and Sanjeev Sharma were appointed as members of the Remuneration Committee and Rosemary Boot was appointed as a member of the Audit Committee. There were no other changes to the Board during the year ended 30 September 2019. Subsequent to the year end, on 18 November 2019, Jon Di-Stefano resigned as Chair of the Audit Committee and Ian Barlow resumed this role.

There were no payments for loss of office.

ANNUAL REPORT ON REMUNERATION CONTINUED

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 2019

The awards granted on 7 December 2016 (in accordance with the Performance Share Plan 2016 rules) are expected to vest in December 2019. Half of these awards were subject to an EPRA NAV performance condition and half were based on a relative TSR performance condition. Following an assessment of performance, as shown in the table below, it is expected that 72.2 per cent of these awards will vest.

Measure	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	RPI + 3% p.a.	RPI + 12.5% p.a.	Actual EPRA NAV 9.2% equivalent to RPI +6.0%	24.4%
Urban&Civic TSR rank vs FTSE 350 Real Estate	12.5%	50%	Median rank	Upper quartile rank	95.6%	47.8%
Total						72.2%

As a result of this performance outcome, the following number of shares are expected to vest to the Executive Directors: Nigel Hugill 279,632 shares, Robin Butler 279,632 shares, and David Wood 162,207 shares.

Performance Share Plan (PSP) awards granted in the year ended 30 September 2019 which could vest in future years

On 7 December 2018, 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 7 December 2018 under the PSP is set out below:

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting[1]	Weighting (of award)[2]	Performance condition and performance range
Nigel Hugill	443,359	£1,261,800	300%	30 September 2021	25%	50%	EPRA NAV growth[3]
					25%	50%	TSR growth[4]
Robin Butler	443,359	£1,261,800	300%	30 September 2021	25%	50%	EPRA NAV growth[3]
					25%	50%	TSR growth[4]
David Wood	177,336	£504,700	175%	30 September 2021	25%	50%	EPRA NAV growth[3]
					25%	50%	TSR growth[4]

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

Implementation of the remuneration policy for the year ending 30 September 2020

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2020.

Base salary

Base salary levels for the Chief Executive, Managing Director and Finance Director have been increased by 2.5 per cent. These increases are in line with the increase in base salaries of the general workforce. Base salary levels for the Executive Directors as at 1 October 2019 and 1 October 2018 are shown below:

Director	Title	2019	2018	% increase
Nigel Hugill	Chief Executive	**£431,100**	£420,600	2.5
Robin Butler	Managing Director	**£431,100**	£420,600	2.5
David Wood	Group Finance Director	**£295,600**	£288,400	2.5

The next salary review date is expected to be 1 October 2020.

Pension

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

Benefits

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

Annual bonus

For the year ending 30 September 2020, the annual bonus structure will be unchanged from that operated in the prior year, as set out in the policy report on pages 114 to 117. The maximum bonus opportunity will be 100 per cent of base salary with 50 per cent of the annual bonus opportunity based on growth in EPRA NAV, 30 per cent based on personal/strategic objectives and 20 per cent based on cash generation. Annual bonus targets for the year ending 30 September 2020 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2020 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. 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 2019 to 30 September 2022. Full details of the award levels for Executive Directors and the performance targets will be provided in the relevant Stock Exchange announcement which will be published immediately following grant.

The Remuneration Committee intends to grant awards under the PSP within six weeks of the announcement of the results for the year ended 30 September 2019.

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 2020. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board to take effect from 1 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 2018, 1 October 2019 and 1 November 2019 are shown below:

	1 November 2019	**1 October 2019**	1 October 2018
Alan Dickinson	**£155,000**	**150,000**[1]	£125,000
Ian Barlow	**£65,000**	**60,000**	£60,000
June Barnes	**£65,000**	**60,000**[2]	£55,000
Rosemary Boot	**£50,000**	**45,000**	n/a[3]
Jon Di-Stefano[4]	**£65,000**	**60,000**	£45,000
Sanjeev Sharma	**£50,000**	**45,000**	n/a[3]

1. Annual fee increased to £150,000 with effect from 1 November 2018.
2. Annual fee increased to £60,000 with effect from 1 November 2018.
3. Appointed to the Board on 10 May 2019.
4. Annual fee increased to £60,000 with effect from 13 February 2019 on appointment as Chair of the Audit Committee. Resigned as Chair and member of the Audit Committee on 18 November 2019. Fee reduced to £50,000 on that date.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2020.

ANNUAL REPORT ON REMUNERATION CONTINUED

Statement of Directors' shareholdings and share interests

Full details of unvested performance share awards in the Company held by Executive Directors in office at 30 September 2019, 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 118.

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	387,302	7 December 2016	204.75p	Nil	7 December 2019[1] to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
Robin Butler	387,302	7 December 2016	204.75p	Nil	7 December 2019[1] to 6 December 2026
	405,153	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	443,359	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028
David Wood	224,664	7 December 2016	204.75p	Nil	7 December 2019[1] to 6 December 2026
	254,629	8 February 2018	302.4p	Nil	8 February 2021 to 7 February 2028
	177,336	7 December 2018	284.6p	Nil	7 December 2021 to 6 December 2028

1. 72.2 per cent of the shares are expected to vest in December 2019; see table on page 120.

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		Interests in ordinary shares as a % of salary[2]
	30 September 2019	30 September 2018	**30 September 2019**	30 September 2018	**30 September 2019[1]**	30 September 2018	**30 September 2019**	30 September 2018	
Current Directors									
Nigel Hugill	**1,361,589**	1,270,091	**130,174**	164,001	**1,235,814**	953,678	**154,473**	98,217	1,042%
Robin Butler	**1,413,318**	1,273,843	**79,135**	164,001	**1,235,814**	953,678	**96,250**	98,217	1,082%
David Wood	**94,775**	93,627	**76,078**	75,566	**656,629**	623,765	**109,209**	22,960	106%
Ian Barlow	**112,272**	112,272	**—**	—	**—**	—	**—**	—	n/a
June Barnes	**20,037**	20,037	**—**	—	**—**	—	**—**	—	n/a
Rosemary Boot[3]	**9,100**	n/a	**—**	—	**—**	—	**—**	—	n/a
Alan Dickinson	**88,889**	88,889	**—**	—	**—**	—	**—**	—	n/a
Jon Di-Stefano	**4,000**	4,000	**—**	—	**—**	—	**—**	—	n/a
Sanjeev Sharma[3]	**—**	n/a	**—**	—	**—**	—	**—**	—	n/a
Past Directors									
Duncan Hunter	**864,642[4]**	864,642	**—**	—	**—**	—	**—**	—	n/a

1. Details of the unvested PSP awards of Executive Directors as at 30 September 2019 are shown in the table at the top of this page.
2. Based on the number of shares beneficially held, the average share price for the month ended 30 September 2019 (322.0p) and the relevant base salary at 30 September 2019. 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.

   If holdings of unvested shares under the Deferred Share Bonus Scheme and of share awards no longer subject to performance conditions (both net of tax) are included in this calculation, the percentage of salary increases to: Nigel Hugill 1,158 per cent, Robin Butler 1,153 per cent and David Wood 215 per cent.
3. Appointed as a Director on 10 May 2019.
4. Holding as at 13 February 2019, the date on which Duncan Hunter resigned as a Director.

Directors' service contracts

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

Executive Directors

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

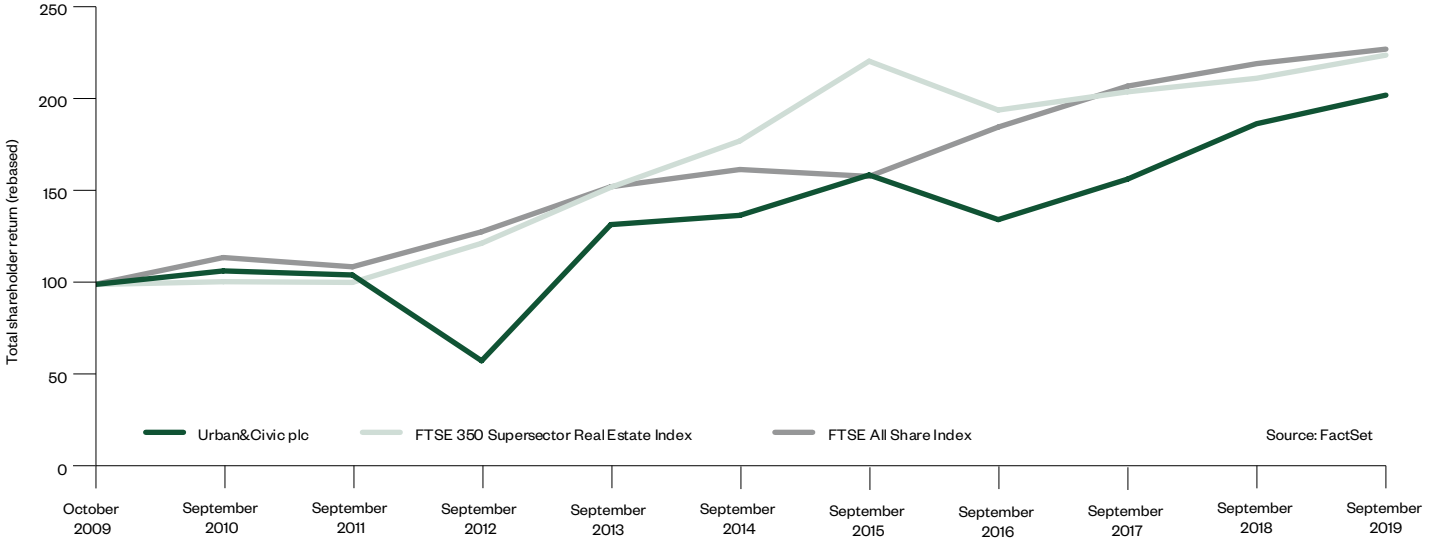
1. Contracts will continue until terminated by notice either by the Company or the Director.

Non-Executive Directors

	Notice period	Contract date
Ian Barlow	3 months	2 August 2016
June Barnes	3 months	23 September 2015
Rosemary Boot	3 months	9 May 2019
Alan Dickinson	3 months	23 September 2015
Jon Di-Stefano	3 months	29 August 2017
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).



ANNUAL REPORT ON REMUNERATION CONTINUED

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
2018/19	Nigel Hugill[2]	£1,674	64.4%	72.2%[3]
2017/18	Nigel Hugill	£1,167	86.6%	59.7%
2016/17	Nigel Hugill	£1,190	62%	28.7%
2015/16	Nigel Hugill	£675	31%	—
2014/15	Nigel Hugill	£661	29%	—
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]
2009/10	Philip Leech	£295	n/a	—

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 120.
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 Chief Executive and employees

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000	% change
Chief Executive			
Salary	**421**	408	3.2
Benefits	**35**	34	2.9
Bonus	**271**	354	(23.4)
Total	**727**	796	(8.7)
Average employee[1, 2]			
Salary	**92**	100	(8.0)
Benefits	**11**	7	57.1
Bonus	**35**	36	(2.8)
Total	**138**	143	(3.5)

1. Including all Executive Directors.
2. 2018: excluding costs relating to staff employed at the Hampton Hotel at Stansted Airport, which was sold on 16 October 2017.

Relative importance of the spend on pay

	Year ended 30 September 2019	Year ended 30 September 2018	% change
Staff costs (£m)[1, 2]	**12.4**	11.4	8.8
Dividends paid during the year (£m)	**5.2**	4.5	16
EPRA net asset value (£m)	**527.5**	481.2	9.6
Total shareholder return (per cent)	**7.9**	19.1	(58.6)

1. Including all Executive Directors.
2. 2018: excluding costs relating to staff employed at the Hampton Hotel at Stansted Airport, which was sold on 16 October 2017.

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

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice where it considers appropriate. Aon Hewitt acts as independent adviser to the Committee and the Committee is satisfied that there are no connections with the Group that may impact their objectivity and independence. Aon Hewitt does not provide any other services to the Company and was paid £24,420 in respect of the year ended 30 September 2019.

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 2019) 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 (2019)	118,406,557	99.10	1,069,992	0.90	4,618
Directors' remuneration policy (2018)	123,681,708	99.99	9,360	0.01	15,051

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

As at the date of the meeting there were 145,044,582 ordinary shares of 20p each in issue.

June Barnes
Chair of the Remuneration Committee
27 November 2019

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:

	Note to the consolidated financial statements	Pages
Strategic report		
Business model and strategy		8 to 11
Long-term viability statement		33
Principal risks		34 to 43
Future business developments		44 to 47
Environmental matters		58 to 59
Greenhouse gas emissions		62
Engagement with employees		83 to 85
Governance review		
Corporate governance		66 to 129
Financial statements		
Capitalised interest	5	153
Financial instruments	19	162
Contracts of significance	23	167
Details of long-term incentive schemes	24	168
Related party transactions	26	170

Introduction

The Directors present their report together with the audited accounts for the year ended 30 September 2019. The principal activities of the Group during the year continue to be property development and investment, both directly and through joint venture arrangements.

Company status and branches

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

Results and dividends

The Group reported a profit for the year of £12.7 million (2018: £18.7 million) as shown in the consolidated statement of comprehensive income on page 138. An interim dividend of 1.4p per share was paid on 12 July 2019 to shareholders on the register on 7 June 2019. A final dividend of 2.5p per share is recommended for approval at the 2020 AGM and, subject to shareholder approval, will be paid on 21 February 2020 to shareholders on the register on 10 January 2020. The total dividend paid during the year amounts to £5.2 million (2018: £4.5 million), of which 2.2p per share represents the 2018 final dividend and 1.4p per share represents the 2019 interim dividend.

Directors

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

Chairman[1]	
Alan Dickinson	Chairman
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[2]	
Jon Di-Stefano	
Sanjeev Sharma[2]	
Former Directors	
Duncan Hunter[3]	Senior Independent Non-Executive Director

1. Independent on appointment.
2. Appointed 10 May 2019.
3. Resigned 13 February 2019.

Biographical details of the Directors are contained on pages 68 and 69.

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 106 to 125.

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

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for election or re-election at the 2020 AGM.

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 £46,000 (2018: £35,000). In addition, together with its joint venture partners, the Group made further charitable donations of £22,000 (2018: £9,000). 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 2019 Annual General Meeting (the '2019 AGM') to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2020 AGM and a resolution will be proposed for its renewal. The Group made no political donations during the year (2018: £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 10 to the Company financial statements on pages 177 and 178.

Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 166. As at 30 September 2019, there were 145,148,088 ordinary shares of 20p each in issue, each carrying one vote and all fully paid. There is only one class of share in issue and there are no restrictions on the transfer of shares in the Company other than those specified by law or regulation (for example, insider trading laws) and pursuant to the Listing Rules of the Financial Conduct Authority whereby certain employees of the Group require the approval of the Company to deal in the ordinary shares.

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the 2020 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

The Directors were granted authority at the 2019 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 2020 AGM and a resolution will be proposed for its renewal.

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

Date	Description	Number of ordinary shares of 20p each
27 February 2019	Scrip allotment	72,024
12 July 2019	Scrip allotment	31,482

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 2019 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 2020 AGM and a resolution will be proposed to renew this authority. During the year the Company, via the Employee Benefit Trust, purchased 252,097 ordinary shares of 20p each at a cost of £755,000 million. The Company does not currently hold any shares in treasury.

Employee Benefit Trust

The trustees of the Urban&Civic Employee Benefit Trust (EBT) hold shares in Urban&Civic in trust in order to satisfy any awards made under the Company's employee share plans. As at 30 September 2019, the EBT held 1,491,248 shares (2018: 1,769,935 shares) representing 1.22 per cent (2018: 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 27 November 2019, 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 27 November 2019	%
Aberforth Partners LLP	17,450,375	12.02
Investec Wealth and Investment Limited	15,146,516	10.44
JO Hambro Capital Management Limited	8,387,301	5.78
APG Asset Management NV	7,500,000	5.17

Amendment of Articles of Association

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

Annual General Meeting

The 2020 AGM of the Company will be held at The Savile Club, 69 Brook Street, London W1K 4ER at 10.00 a.m. on 6 February 2020. The special business at the 2020 AGM will include resolutions dealing with the authority to issue shares, the disapplication of pre-emption rights, the authority for the Company to purchase its own shares, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice. A separate circular containing the notice of meeting and explanatory notes of all the resolutions to be proposed at that meeting is circulated with this Annual Report and Accounts. All votes will be taken on a poll at the meeting rather than on a show of hands.

Auditor

BDO LLP is willing to be reappointed as the external auditor to the Company and Group, and their reappointment has been considered by the Audit Committee and recommended to the Board. A resolution will be proposed at the 2020 AGM for their 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 34 to 43 and the Board's assessment of long-term viability is set out on page 33.

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

Disclosure of information to the auditor

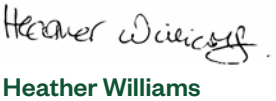
The Directors who held office at the date of approval of this Directors' report confirm that:

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

Post balance sheet events

There were no post balance sheet events.

The Directors' report was approved by the Board on 27 November 2019 and signed on its behalf by:



Heather Williams
Company Secretary
Urban&Civic plc

Company number: SC149799

Statement of Directors' responsibilities in respect of the accounts

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

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

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

In preparing these financial statements, the Directors are required:

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

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

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

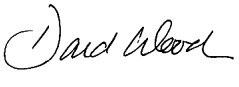
Responsibility statement

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

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

The Directors' responsibility statement was approved by the Board.

On behalf of the Board



David Wood
Group Finance Director
27 November 2019

Financial statements

Homes being delivered alongside the SuDS system at Middlebeck, Newark

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 2019 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 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group 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 2019, in relation to which ISAs (UK) require us to report to you whether we have anything material to add or to draw attention to:

- the disclosures in the Annual Report and Accounts 2019 set out on pages 34 to 43 that describe the principal risks and explain how they are being managed or mitigated;
- the Directors' confirmation set out on page 100 in the Annual Report and Accounts 2019 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- the Directors' statement set out on page 128 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 33 in the Annual Report and Accounts 2019 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 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. The Group engaged an independent expert valuer to undertake the valuation of the majority (95 per cent) of its property portfolio by value, with the remaining assets being valued by the Directors. The valuation of the Group's property interests requires significant judgements to be made by the valuer, some of which are impacted by the political and economic uncertainty arising from the result of the EU referendum. 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 reporting. We therefore considered this to be a key audit matter.	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 or evidence of management bias therein. • Real estate experts within our team read the valuation reports for all properties of the Group and its joint ventures that were subject to external valuation and reviewed the Directors' valuations of the other properties to confirm that all valuations had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements. • Real estate experts within our team met with the Group's external valuer independently of management to discuss and challenge the valuation methodology and key assumptions and considered 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 rental income and lease terms to underlying supporting documentation. • We compared the key valuation assumptions against our independently formed market expectations and challenged the valuer where significant variances from these expectations were identified. We then corroborated their responses to supporting documentation where appropriate. For the properties in the course of development, the key valuation assumptions were deemed to be the forecast gross development values, house price inflation, cost price inflation, developer profit margin and the risk adjusted discount rates. Our review of these assumptions included reference to comparable market transactions, the sales data being generated from the Group's own sites and external market forecasts for house price and cost inflation. For the income generating properties, the key valuation assumptions were the market capitalisation yields and estimated rental values, which we reviewed by reference to market data based on the location and specifics of each property. We also tested the arithmetic and mechanical integrity of formulae in the cash flow models used by the external valuer in the valuation of the key strategic land sites by value (being Alconbury, Rugby, Newark, Wintringham, 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 valuation of the Group's investment properties and the carrying value of the Group's trading properties (both held directly and indirectly through joint ventures) is inappropriate.

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Revenue and profit recognition from residential property As detailed in note 2, the Group's results for the year include revenue and profit from residential property sales. This comprises both the sale of residential land parcels and the sale of individual units across 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 and individual units on another strategic land site. 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 considered revenue and profit recognition from residential property sales as a key audit matter.	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 license agreements with housebuilders. • We reviewed and challenged the discount factor applied to these minimum receipts and reperformed the present value calculations. • We reviewed management's estimate of the variable consideration receivable under each of the license agreements with housebuilders that was not expected to subject to a significant reversal in future periods and evaluated the judgements made in arriving at those estimates. This assessment was undertaken as at 1 October 2018 in respect of those licence agreements completed prior to that date for the purposes of transition to IFRS 15 and at the date of contract completion in respect of new licence agreements completed during the year. Estimates in respect of all completed licence agreements were then revisited at the balance sheet date. • We evaluated the expected credit loss assessment made by management in respect of the deferred sales receipts at both 1 October 2018 (being the date of transition to IFRS 9) and the balance sheet date. 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.

Key observations

We did not identify any indicators to suggest that the revenue and profit from residential property sales has 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.

Our application of materiality continued

The materiality for the Group financial statements as a whole was set at £6.5 million (2018: £6.5 million). This was determined with reference to a benchmark of Group total assets (of which it represents 1.1 per cent (2018: 1.2 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 set at £6.2 million, determined with reference to a benchmark of the parent company's total assets (of which it represents 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 £650,000 (2018: £500,000) to apply to those classes of transactions and balances which impact on the Group's earnings before tax, excluding fair value movements.

We set performance materiality at 75 per cent (2018: 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 (2018: £100,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group level.

The Group operates solely in the United Kingdom and operates as two components, each structured through a number of special purpose vehicle entities. 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 materiality for each component set at £4.9 million (2018: £4.9 million) and specific materiality (for those transactions and balances which impact on the Group's earnings before tax, excluding fair value movements) for each component set at £488,000 (2018: £375,000).

The extent to which the audit was capable of detecting irregularity 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.

As part of the audit 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 considered the Group's compliance with laws and regulations that have a direct impact on the financial statements and the UK Listing Rules including, but not limited to, UK company law, UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures 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.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included reviewing the financial statements disclosures and agreeing to underlying supporting documentation where necessary. We made enquiries of management and of the Directors as to the risks of non-compliance and any instances thereof. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2019, 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 129** – the statement given by the Directors that they consider the Annual Report and Accounts 2019 taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit Committee reporting set out on pages 99 to 105** – 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 67 to 87** – 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities in respect of the accounts set out on page 129, 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

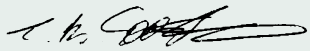
We were initially appointed in April 2001 to audit the financial statements of the parent company for the year ending 30 April 2001. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. The period of total uninterrupted engagement, including previous renewals and reappointments of the firm, is 19 years, covering the periods ending 30 April 2001 to 30 September 2019. However, for the purposes of mandatory firm rotation, the period of total uninterrupted engagement is six years, covering the years ending 30 September 2014 to 30 September 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

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



Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
27 November 2019

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 2019

	Notes	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Revenue	2	**102,114**	150,398
Direct costs	2	**(80,890)**	(123,127)
Gross profit	2	**21,224**	27,271
Administrative expenses		**(19,875)**	(18,812)
Surplus on revaluation of investment properties	11	**5,791**	10,582
Surplus on revaluation of receivables	16	**850**	1,090
Share of post-tax profit from joint ventures	13	**8,039**	2,059
Profit on disposal of investments	13	**—**	94
Profit on disposal of investment properties	11	**—**	1,244
Operating profit	3	**16,029**	23,528
Finance income	5	**1,777**	866
Finance costs	5	**(1,470)**	(2,127)
Profit before taxation		**16,336**	22,267
Taxation expense	8	**(3,707)**	(3,572)
Total comprehensive income		**12,629**	18,695
Basic earnings per share	9	**8.8p**	13.0p
Diluted earnings per share	9	**8.6p**	12.9p

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

The notes on pages 142 to 171 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 30 September 2019

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	Notes	30 September 2019 £'000	30 September 2018 £'000
Non-current assets			
Investment properties	11	**52,937**	86,918
Property, plant and equipment	12	**3,958**	4,508
Investments in joint ventures and associates	13	**121,262**	103,418
Deferred tax assets	14	**2,565**	2,788
Trade and other receivables	16	**45,898**	20,445
		226,620	218,077
Current assets			
Trading properties	15	**306,998**	273,770
Trade and other receivables	16	**18,463**	29,039
Cash and cash equivalents	19	**24,441**	16,638
		349,902	319,447
Total assets		**576,522**	537,524
Non-current liabilities			
Borrowings	18	**(128,265)**	(73,973)
Deferred tax liabilities	14	**(8,509)**	(6,851)
		(136,774)	(80,824)
Current liabilities			
Borrowings	18	**(1,000)**	(20,891)
Trade and other payables	17	**(35,715)**	(46,786)
		(36,715)	(67,677)
Total liabilities		**(173,489)**	(148,501)
Net assets		**403,033**	389,023
Equity			
Share capital	20	**29,030**	29,009
Share premium account		**169,163**	168,881
Capital redemption reserve		**849**	849
Own shares		**(4,086)**	(4,748)
Other reserve		**113,785**	113,785
Retained earnings		**94,292**	81,247
Total equity		**403,033**	389,023
NAV per share	22	**275.3p**	268.3p
EPRA NAV per share	22	**360.3p**	331.8p
EPRA NNNAV per share	22	**339.5p**	315.9p

The financial statements were approved by the Board and authorised for issue on 27 November 2019 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 142 to 171 form part of these financial statements.

Registered in Scotland No. SC149799

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2017	28,993	168,648	849	(4,003)	113,785	63,608	371,880
Shares issued under scrip dividend scheme	16	233	—	—	—	—	249
Share option exercise satisfied out of own shares	—	—	—	647	—	—	647
Purchase of own shares	—	—	—	(1,392)	—	—	(1,392)
Share-based payment expense	—	—	—	—	—	3,434	3,434
Total comprehensive income for the year	—	—	—	—	—	18,695	18,695
Dividends paid	—	—	—	—	—	(4,490)	(4,490)
Balance at 30 September 2018	29,009	168,881	849	(4,748)	113,785	81,247	389,023
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**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2019

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	Notes	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Cash flows from operating activities			
Profit before taxation		**16,336**	22,267
Adjustments for:			
Surplus on revaluation of investment properties		**(5,791)**	(10,582)
Surplus on revaluation of receivables		**(850)**	(1,090)
Share of post-tax profit from joint ventures		**(8,039)**	(2,059)
Finance income		**(1,777)**	(866)
Finance costs		**1,470**	2,127
Depreciation charge		**918**	1,148
Write down of trading properties		**730**	2,570
Profit on sale of investment properties		**—**	(1,244)
Profit on disposal of investments		**—**	(94)
Loss on disposal of property, plant and equipment		**13**	2
Share-based payment expense		**3,955**	3,434
Cash flows from operating activities before change in working capital		**6,965**	15,613
Decrease in trading properties		**11,034**	631
Increase in trade and other receivables		**(9,243)**	(15,284)
Decrease in trade and other payables		**(12,368)**	(2,330)
Cash absorbed by operations		**(3,612)**	(1,370)
Finance costs paid		**(1,126)**	(3,476)
Finance income received		**72**	39
Tax paid		**(1,498)**	(111)
Net cash flows from operating activities		**(6,164)**	(4,918)
Investing activities			
Additions to investment properties		**(2,144)**	(14,174)
Additions to property, plant and equipment		**(381)**	(558)
Loans advanced to joint ventures		**(9,203)**	(9,685)
Loans repaid by joint ventures and associates		**179**	2
Profit on disposal of investments		**—**	94
Proceeds from disposal of investment properties		**—**	38,925
Net cash flows from investing activities		**(11,549)**	14,604
Financing activities			
New loans		**37,335**	42,818
Issue costs of new loans		**(580)**	(408)
Repayment of loans		**(5,622)**	(42,015)
Purchase of own shares		**(755)**	(1,392)
Dividends paid		**(4,862)**	(4,241)
Net cash flows from financing activities	27	**25,516**	(5,238)
Net increase in cash and cash equivalents		**7,803**	4,448
Cash and cash equivalents at 1 October		**16,638**	12,190
Cash and cash equivalents at 30 September		**24,441**	16,638

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 172 to 178, in accordance with FRS 102.

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

Functional and presentation currency

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

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 2019 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

In arriving at this assessment the Directors have considered any facilities that are due to expire in the next 12 months against progress made on their extension or renewal to date, and/or the Group's ability to repay the maturing facilities from Group resources.

Adoption of new and revised standards

In the current period, the Group has adopted IFRS 9 "Financial Instruments" and IFRS 15 'Revenue from Contracts with Customers' which has resulted in a change to certain of the Group's accounting policies.

The adoption of IFRS 9 has not had any transitional impact on the Group. Financial assets previously accounted for as loans and receivables continue to be measured at amortised cost and financial assets previously accounted for at fair value through profit and loss continue to be measured at fair value. No material amendment to provisioning adjustments was required as a result of applying the expected credit loss model when assessing financial assets for impairment principally because:

- development values are considered sufficient, even in the worst case scenario, to enable repayment of loans to joint ventures; and
- receivables from housebuilders are secured on land which is valued in excess of the amounts due.

The adoption of IFRS 15 has resulted in additional revenue being recognised in relation to the variable consideration to which the Group is entitled under a certain number of its land parcel sales to housebuilders included within residential property sales. The Group has elected to adopt IFRS 15 using the Cumulate Effect Method meaning that full retrospective adjustment of comparative periods is not required. The impact on the Group's balance sheet at 1 October 2018 has been to increase trade receivables by £3,078,000, increase the investment in joint ventures by £781,000, increase the deferred tax liability by £656,000 and increase retained earnings by £3,203,000. The Group's new accounting policy in respect of revenue recognition is stated later in note 1.

New standards and interpretations not yet applied

The IASB has issued or amended the following standards that are mandatory for later accounting years, are relevant to the Group and have not been adopted early. These are:

- IFRS 16 'Leases' (effective date: 1 January 2019)

The Group has undertaken an assessment of the impact should this standard have been adopted for the current period of account.

IFRS 16 'Leases' will be effective for the Group from the period beginning 1 October 2019, and will result 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 it is obliged to make for any material leases for which it is the lessee. These are disclosed in note 25. At 30 September 2019, it has been assessed that this would lead to the recognition on the balance sheet of assets and liabilities of £4.3 million. There is no net impact on profit and loss over the lease term, but under IFRS 16 part of the payment currently recognised within administrative expenses (£0.1 million) in the year ended 30 September 2019 would be recognised as a finance cost. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

1. Accounting policies continued

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.

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

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

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.

In the consolidated financial statements, where the Group has interests accounted for as joint operations, the Group's share of jointly controlled assets, liabilities, income and expenses are reflected on a line by line basis.

Associates

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

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

Investment properties

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

Investment properties are recognised as an asset when:

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

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

1. Accounting policies continued

Investment properties continued

An investment property undergoing redevelopment or refurbishment for continued use as an investment property will remain as an investment property measured at fair value and is not reclassified.

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

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

Trading properties

Trading properties comprise both direct interests in property and indirect beneficial interests in property held through land promotion agreements or other contractual arrangements. They are classified as inventory and are included in the consolidated balance sheet at the lower of cost and net realisable value. Net realisable value is the expected net sales proceeds of the developed property in the ordinary course of business less the estimated costs to completion and associated selling costs. A provision is made to the extent that projected costs exceed projected revenues.

All external and internal costs, including borrowing costs, directly associated with the purchase, promotion and construction of a trading property are capitalised up to the date that the property is ready for its intended use. Property acquisitions are recognised when legally binding contracts that are irrevocable and effectively unconditional are exchanged.

Properties reclassified to trading properties from investment properties are transferred at deemed cost, being the fair value at the date of reclassification.

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

Leases

Where the Group is the lessor, the Directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 'Leases' and in their judgement have determined that all such leases are operating leases. Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease.

Where the Group is the lessee, leases in which substantially all risks and rewards of ownership are retained by another party are classified as operating leases. The Directors have determined that all of their lessee arrangements constitute operating leases. Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at the date of transfer less accumulated depreciation and accumulated impairment losses. This includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, over its expected useful life as follows:

Freehold property	—	shorter of expected period to redevelopment and 2 per cent straight line
Leasehold improvements	—	shorter of term of the lease and 10 per cent straight line
Furniture and equipment	—	20–33 per cent straight line

Revenue recognition

Revenue is recognised to the extent that a significant reversal is not expected in future periods and performance obligations have been satisfied. The below recognition policies have been applied in respect of each of the Group's principal revenue streams. Note that the only material change in the Group's revenue recognition policies since the previous year is that under IAS 18 variable revenue was only recognised to the extent that it could be reliably measured. Under IAS 18, revenue relating to overages on sales of land parcels to housebuilders was typically only recognised when the housebuilder had made an onward sale of the properties being developed on the relevant parcel. The adoption of IFRS 15 has resulted in overage revenue from certain of these sales being recognised earlier, at the point of sale, to the extent that it is considered such revenue will not be subject to a significant reversal in the future.

1. Accounting policies continued

Revenue recognition continued

Trading property sales

The sale of trading properties, including beneficial interests held indirectly through land promotion and other contractual agreements, usually have 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 probably 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.

Residential property sales

The sale of residential properties, including land parcels sold to housebuilders for residential development, usually have 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 on 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 IAS 17 and recognised on a straight line basis over the term of the lease. Lease incentives, including rent free periods and payments to tenants, are allocated to the consolidated statement of comprehensive income on a straight line basis over the lease term as a deduction from rental income.

Hotel income

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

Project management fees and other income, including recoverable property expenses

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

Taxation

Current tax

The charge for current taxation is based on the results for the year as adjusted for items that are non-taxable or disallowed. It is calculated using rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains on investment property disposals that were recognised in prior periods is recorded as a current tax charge with a release of the associated deferred taxation.

Deferred tax

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and the corresponding tax base cost used in computing taxable profit.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the consolidated statement of comprehensive income except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1. Accounting policies continued

Taxation continued

Deferred tax continued

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Under IAS 12 'Income Taxes', a deferred tax liability is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date.

Deferred tax balances are not discounted.

Share-based payments

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

Employee Benefit Trust

The Group is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and consolidated for the purposes of the consolidated accounts. The EBT's investment in the parent company's shares is deducted from equity in the consolidated balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group. Any shares held by the EBT are excluded for the purposes of calculating earnings per share and net assets per share.

Retirement benefits

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate.

Government grants

Government grants received in relation to property asset capital expenditure are generally deducted in arriving at the cost of the relevant asset. Where retention of a Government grant is dependent on the Group satisfying certain criteria, it is initially recognised in other loans. When the criteria for retention have been satisfied, the balance is netted against the cost of the asset.

Dividends

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

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

Impairment tests on the Group's property, plant and equipment and interests in joint arrangements are undertaken at each reporting date to determine whether there is any indication of impairment. If such indication becomes evident, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset.

Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables

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

1. Accounting policies continued

Financial instruments continued

Trade and other receivables continued

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 income statement.

Trade and other payables

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

Borrowings

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

Borrowing costs

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

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

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

Critical accounting estimates and judgements

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

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

Accounting estimates

Valuation of investment and trading properties

For the purposes of calculating the fair value of its investment property portfolio and the net realisable value (and, for EPRA reporting purposes, the fair value) of its trading property portfolio, the Group uses valuations carried out by either independent valuers or the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuations are based upon assumptions including future rental income, sales prices 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 2019 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.

1. Accounting policies continued

Critical accounting estimates and judgements continued

Accounting estimates continued

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 £1.3 million.

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 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 £1.2 million and £1.3 million respectively.

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

Cost of trading property sales

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

Taxation

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve judgements about future events. The Directors have also exercised their judgement in relation to the recognition of certain deferred tax assets and liabilities. In order to assess whether the Group should recognise a deferred tax asset or liability and the tax rate at which that asset or liability should be measured, the Directors consider the timing and likelihood of expected future profits along with how these expected future profits match up with the existing tax losses within specific Group entities. The proportion of the Group's estimated available tax losses for deferred tax has been disclosed in note 14. The impact of a two per cent increase/decrease in the tax rate would change the net deferred tax liability by £0.7 million up or down at 30 September 2019.

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.

1. Accounting policies continued

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 2019	30 September 2018
House price – private (£psf)	**215–300**	210–300
House price – affordable (£psf)	**125–200**	125–200
House price inflation (per cent)	**2.5**	3.0
Cost price inflation (per cent)	**2.0**	2.0–2.25
Residential land prices (£'000 per NDA)	**694–1,622**	682–1,450
Commercial land value (£'000 per acre)	**150–400**	150–400
Risk-adjusted discount rate (per cent)	**6.0–10.0**	6.0–10.5

Inter-relationship between significant unobservable inputs and fair value measurement

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

- expected house prices inflation were higher/(lower);
- expected annual cost price inflation was lower/(higher);
- commercial land prices was 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.

2. Revenue and gross profit

for the year ended 30 September 2019

	Strategic sites and Catesby £'000	Commercial £'000	Total £'000
Trading property sales	25,329	4,950	30,279
Residential property sales	49,307	—	49,307
Revenue on construction contracts	7,972	—	7,972
Rental and other property income	2,250	634	2,884
Recoverable property expenses	325	791	1,116
Hotel income	—	7,621	7,621
Project management fees and other income	2,139	796	2,935
Revenue	**87,322**	**14,792**	**102,114**
Cost of trading property sales	(15,967)	(1,698)	(17,665)
Cost of residential property sales	(46,529)	—	(46,529)
Costs of construction contracts	(6,641)	—	(6,641)
Direct property expenses	(2,226)	(25)	(2,251)
Recoverable property expenses	(325)	(791)	(1,116)
Cost of hotel trading	—	(5,957)	(5,957)
Write down of trading properties	(731)	—	(731)
Direct costs	**(72,419)**	**(8,471)**	**(80,890)**
Gross profit	**14,903**	**6,321**	**21,224**

2. Revenue and gross profit continued
for the year ended 30 September 2018

	Strategic sites and Catesby £'000	Commercial £'000	Total £'000
Trading property sales	11,470	79,743	91,213
Residential property sales	34,454	—	34,454
Revenue on construction contracts	6,688	—	6,688
Rental and other property income	1,960	3,658	5,618
Recoverable property expenses	370	1,087	1,457
Hotel income	—	7,976	7,976
Project management fees and other income	545	2,447	2,992
Revenue	55,487	94,911	150,398
Cost of trading property sales	(3,924)	(69,994)	(73,918)
Cost of residential property sales	(29,391)	—	(29,391)
Costs of construction contracts	(4,724)	—	(4,724)
Direct property expenses	(2,110)	(2,832)	(4,942)
Recoverable property expenses	(370)	(1,088)	(1,458)
Cost of hotel trading	—	(6,124)	(6,124)
Write (down)/back of trading properties	(2,608)	38	(2,570)
Direct costs	(43,127)	(80,000)	(123,127)
Gross profit	12,360	14,911	27,271

Other than rental and other property income, all of the Group's revenue has been accounted for under the provisions of IFRS 15. Of this IFRS 15 revenue, £87,887,000 has been recognised at a point in time and £11,343,000 has been recognised over time.

	Year ended 30 September 2019	Year ended 30 September 2018
Number of construction contracts	**1**	1

The above construction contract includes a further £6,369,000 of estimated revenue which will be recognised over time in future periods as performance obligations are satisfied.

3. Operating profit

Is arrived at after charging/(crediting):	**Year ended 30 September 2019 £'000**	Year ended 30 September 2018 £'000
Depreciation of property, plant and equipment – included in administrative expenses	**561**	934
Depreciation of property, plant and equipment – included in direct costs	**357**	214
Loss on disposal of property, plant and equipment	**13**	2
Impairment of trade receivables	**83**	29
Operating lease charges – rent of properties	**808**	808
Share-based payment expense	**3,955**	3,434
Capitalisation of administrative expenses to investment properties	**(423)**	(486)
Capitalisation of administrative expenses to trading properties held at year end	**(5,038)**	(4,238)
Fees paid to BDO LLP[1] in respect of:		
– audit of the Company	**207**	167
Other services:		
– audit of subsidiaries and associates	**104**	95
– audit related assurance services	**43**	37
– other fees payable	**79**	42

1. Total fees for 2019 payable to the Company's auditor are £432,500 (2018: £340,500). Of this, £310,500 (2018: £261,500) relates to audit services and £43,000 (2018: £37,000) to assurance services. £79,000 (2018: £42,000) 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 two principal segments are strategic sites and Catesby (being one segment) and commercial property development. The strategic sites and Catesby segment includes serviced and unserviced land, consented and unconsented land and mixed-use development and promotion sites. The commercial segment includes city centre development and commercial regional developments. All of the Group's revenue is generated in the United Kingdom.

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

The segmental results that are monitored by the Board include all the separate lines making up the segmental IFRS operating profit. This excludes central overheads and taxation which are not allocated to operating segments.

Consolidated statement of comprehensive income
for the year ended 30 September 2019

	Strategic sites and Catesby £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**87,322**	**14,792**	**—**	**102,114**
Other direct costs	(71,689)	(8,471)	—	(80,160)
Write down of trading properties	(730)	—	—	(730)
Total direct costs	(72,419)	(8,471)	—	(80,890)
Gross profit	**14,903**	**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)	**29,571**	**6,333**	**(19,875)**	**16,029**
Net finance income/(cost)	1,478	(1,171)	—	307
Profit/(loss) before tax	**31,049**	**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 and Catesby £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	52,937	—	—	52,937
Property, plant and equipment	3,348	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	45,898	—	—	45,898
Non-current assets	**205,746**	**17,998**	**2,876**	**226,620**
Trading properties	279,307	27,691	—	306,998
Trade and other receivables	13,782	4,681	—	18,463
Cash and cash equivalents	—	—	24,441	24,441
Current assets	**293,089**	**32,372**	**24,441**	**349,902**
Borrowings	(101,899)	(11,045)	(16,321)	(129,265)
Trade and other payables	(24,351)	(11,364)	—	(35,715)
Deferred tax liabilities	(7,806)	—	(703)	(8,509)
Total liabilities	**(134,056)**	**(22,409)**	**(17,024)**	**(173,489)**
Net assets	**364,779**	**27,961**	**10,293**	**403,033**

Consolidated statement of comprehensive income
for the year ended 30 September 2018

	Strategic sites and Catesby £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	55,487	94,911	—	150,398
Other direct costs	(40,519)	(80,038)	—	(120,557)
Write (down)/back of trading properties	(2,608)	38	—	(2,570)
Total direct costs	(43,127)	(80,000)	—	(123,127)
Gross profit	12,360	14,911	—	27,271
Share-based payment expense	—	—	(3,434)	(3,434)
Other administrative expenses	—	—	(15,378)	(15,378)
Total administrative expenses	—	—	(18,812)	(18,812)
Surplus on revaluation of investment properties	10,582	—	—	10,582
Surplus on revaluation of receivables	1,090	—	—	1,090
Share of post-tax profit from joint ventures	1,993	66	—	2,059
Profit on disposal of investments	—	94	—	94
Profit on disposal of investment properties	—	1,244	—	1,244
Operating profit/(loss)	26,025	16,315	(18,812)	23,528
Net finance cost	(449)	(812)	—	(1,261)
Profit/(loss) before tax	25,576	15,503	(18,812)	22,267

In the year ended 30 September 2018, there were two major customers that generated £49,350,000 and £22,961,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

4. Segmental information continued

Consolidated balance sheet

as at 30 September 2018

	Strategic sites and Catesby £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	86,918	—	—	86,918
Property, plant and equipment	3,423	632	453	4,508
Investments in joint ventures	85,815	17,603	—	103,418
Deferred tax assets	—	—	2,788	2,788
Trade and other receivables	20,445	—	—	20,445
Non-current assets	196,601	18,235	3,241	218,077
Trading properties	246,617	27,153	—	273,770
Trade and other receivables	21,979	7,060	—	29,039
Cash and cash equivalents	—	—	16,638	16,638
Current assets	268,596	34,213	16,638	319,447
Borrowings	(74,973)	—	(19,891)	(94,864)
Trade and other payables	(33,816)	(12,970)	—	(46,786)
Deferred tax liabilities	(6,269)	—	(582)	(6,851)
Total liabilities	(115,058)	(12,970)	(20,473)	(148,501)
Net assets	350,139	39,478	(594)	389,023

5. Finance income and finance costs

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Interest receivable from cash deposits	**81**	37
Unwinding of discount applied to long-term receivables	**1,663**	826
Other interest receivable	**33**	3
Finance income	**1,777**	866
Interest payable on borrowings	**(4,044)**	(3,089)
Amortisation of loan arrangement costs	**(503)**	(1,220)
Finance costs pre-capitalisation	**(4,547)**	(4,309)
Finance costs capitalised to trading properties	**3,077**	2,182
Finance costs	**(1,470)**	(2,127)
Net finance income/(costs)	**307**	(1,261)

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 106 to 125.

7. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	**Year ended 30 September 2019 £'000**	Year ended 30 September 2018 £'000
Wages and salaries (including discretionary bonus)	**12,386**	11,601
Employer's National Insurance contributions and similar taxes	**1,783**	1,582
Defined contribution pension cost	**695**	584
Share-based payment expense	**3,955**	3,434
Total staff costs (including Directors)	**18,819**	17,201
Amount capitalised to investment and trading properties	**(3,301)**	(2,910)
Amount included within operating profit	**15,518**	14,291

	Year ended 30 September 2019 Number	Year ended 30 September 2018 Number
Average number of employees during the year (including Directors)	**87**	80

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
Current tax:		
UK corporation tax on profits for the year	**2,482**	916
Adjustments in respect of previous periods	**—**	5
Total current tax	**2,482**	921
Deferred tax:		
Origination and reversal of timing differences	**1,225**	2,746
Adjustments in respect of previous periods	**—**	(95)
Total deferred tax	**1,225**	2,651
Total tax charge	**3,707**	3,572

(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 2019 £'000	Year ended 30 September 2018 £'000
Profit attributable to the Group before tax	**16,336**	22,267
Profit multiplied by the average rate of UK corporation tax of 19 per cent (2018: 19 per cent)	**3,104**	4,231
Expenses not deductible for tax purposes	**937**	694
Differences arising from taxation of chargeable gains and property revaluations	**190**	(1,384)
Tax losses and other items	**(524)**	121
	3,707	3,662
Adjustments to tax charge in respect of previous periods	**—**	(90)
Total tax charge	**3,707**	3,572

(c) Associates and joint ventures

The Group's share of tax on the joint ventures and associates is £Nil (2018: £Nil).

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £12,629,000 (2018: £18,695,000) and on 143,442,735 (2018: 143,413,414) shares, being the weighted average number of shares in issue during the year less own shares held.

Diluted earnings per share

The calculation of diluted earnings per share is based on a profit of £12,629,000 (2018: £18,695,000) and on 146,176,846 (2018: 145,156,832) 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 (2018: 2,139,020) share options have not been included in the calculation of diluted earnings per share because their exercise is contingent on the satisfaction of certain criteria that had not been met at 30 September. The total number of share options in issue is disclosed in note 24.

Weighted average number of shares	**2019 Number**	2018 Number
In issue at 1 October	**145,044,582**	144,964,808
Effect of shares issued under scrip dividend scheme	**49,325**	40,878
Effect of own shares held	**(1,651,172)**	(1,592,272)
Weighted average number of shares at 30 September – basic	**143,442,735**	143,413,414
Dilutive effect of share options	**2,734,111**	1,743,418
Weighted average number of shares at 30 September – diluted	**146,176,846**	145,156,832

10. Dividends

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
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**	—
Final dividend of 2.0p per share proposed and paid February 2018	**—**	2,442
Final dividend of 2.0p per share granted via scrip dividend	**—**	188
Interim dividend of 1.3p per share paid July 2018	**—**	1,799
Interim dividend of 1.3p per share granted via scrip dividend scheme	**—**	61
	5,165	4,490

The Directors are proposing a final dividend of 2.5p (2018: 2.2p) per share totalling £3,591,000. The trustees of the Employee Benefit Trust have waived their right to receive a dividend on shares held in the Company. Therefore dividends are not paid on the shares held by the Employee Benefit Trust. The dividend has not been accrued in the consolidated balance sheet at 30 September 2019.

11. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2017	99,846
Additions at cost	14,172
Disposals	(37,682)
Surplus on revaluation	10,582
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
Carrying value and portfolio valuation at 30 September 2019	**52,937**

(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 2019, £2,557,000 (2018: £3,595,000) 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 £2,059,000 (2018: £2,760,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2018: £Nil).

(iv) Restrictions and obligations

At 30 September 2019 and 2018 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 2019 was £30,964,000 (2018: £52,284,000), which included capitalised interest of £nil (2018: £10,705,000). There was no interest capitalised during the current or prior year. During the year staff and administrative costs of £423,000 (2018: £486,000) have been capitalised and are included within additions.

(vi) Transfer of properties

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	Total £'000
Cost				
At 1 October 2017	5,425	730	1,372	7,527
Additions	—	86	472	558
Disposals	—	(76)	(248)	(324)
At 1 October 2018	5,425	740	1,596	7,761
Additions	—	17	364	381
Disposals	—	—	(203)	(203)
At 30 September 2019	**5,425**	**757**	**1,757**	**7,939**
Depreciation				
At 1 October 2017	1,313	330	784	2,427
Charge for the year	459	183	506	1,148
Released on disposal	—	(76)	(246)	(322)
At 1 October 2018	1,772	437	1,044	3,253
Charge for the year	425	132	361	918
Released on disposal	—	—	(190)	(190)
At 30 September 2019	**2,197**	**569**	**1,215**	**3,981**
Net book value				
At 30 September 2019	**3,228**	**188**	**542**	**3,958**
At 30 September 2018	3,653	303	552	4,508

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

13. Investments

Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 October 2017	76,755	2	76,757
Share of post-tax profit from joint ventures	2,059	—	2,059
Additions	14,918	—	14,918
Loans advanced	9,686	—	9,686
Loans repaid	—	(2)	(2)
At 1 October 2018	103,418	—	103,418
Effect of adoption of IFRS 15	781	—	781
Balance at 1 October 2018 as restated	104,199	—	104,199
Share of post-tax profit from joint ventures	8,039	—	8,039
Loans advanced	9,202	—	9,202
Profits distributed	(178)	—	(178)
At 30 September 2019	**121,262**	**—**	**121,262**

13. Investments continued

Investments in joint ventures and associates continued

At 30 September 2019 the Group's interests in its joint arrangements were as follows:

Joint ventures		
Manchester New Square LP	50%	Property development
SUE Developments LP	50%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Wintringham Partners LLP	33%	Property development

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. At 30 September 2019, the Group had incurred £21,404,000 (2018: £18,650,000) of costs in relation to the project, which have been capitalised into investment and trading properties.

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 10 of the notes to the Company financial statements on pages 177 and 178.

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	—	65,034
Profit/(loss) after tax	14,125	2,890	(9)	33	2	17,041
Total assets	229,550	62,610	6,606	858	89,173	388,797
Other liabilities	(163,287)	(59,725)	(6,660)	—	(89,171)	(318,843)
Total liabilities	(163,287)	(59,725)	(6,660)	—	(89,171)	(318,843)
Net assets/(liabilities)	**66,263**	**2,885**	**(54)**	**858**	**2**	**69,954**
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**

SUE Developments LP holds the RadioStation Rugby site.

Summarised information on joint ventures 2018

100%	SUE Developments LP £'000	Wintringham Partners LLP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Manchester New Square LP £'000	Total 2018 £'000
Revenue	17,400	—	—	54	—	17,454
Profit/(loss) after tax	3,990	(6)	—	53	—	4,037
Total assets	193,453	44,267	6,564	1,239	45,619	291,142
Other liabilities	(142,877)	(44,273)	(6,609)	(52)	(45,619)	(239,430)
Total liabilities	(142,877)	(44,273)	(6,609)	(52)	(45,619)	(239,430)
Net assets/(liabilities)	50,576	(6)	(45)	1,187	—	51,712
The Group's carrying value consists of:						
Group's share of net assets	25,288	(2)	—	594	—	25,880
Loans	45,146	15,383	2,091	—	14,918	77,538
Total investment in joint ventures	70,434	15,381	2,091	594	14,918	103,418

13. Investments continued

Investments in joint ventures and associates continued

Summarised information on associate

	2019 Terrace Hill Development Partnership £'000	2018 Terrace Hill Development Partnership £'000
Revenue	—	—
Profit after tax	—	—
Total assets	—	—
Total liabilities	—	—
Net assets	—	—
The carrying value consists of:		
Group's share of net assets	—	—
Loans	—	—
Total investment in associates	—	—
Share of unrecognised profit		
At 1 October	—	80
Share of unrecognised profit for the year	—	—
Profits distributed and recognised in the year	—	(94)
Adjustments in respect of previous periods	—	14
At 30 September	—	—

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 10 of the notes to the Company financial statements on pages 177 and 178.

14. Deferred tax

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

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
At 1 October	**(4,063)**	(1,412)
Effect of adoption of IFRS 15	**(656)**	—
At 1 October as restated	**(4,719)**	(1,412)
Movement in the year (see note 8)	**(1,225)**	(2,651)
At 30 September	**(5,944)**	(4,063)

The deferred tax balances are made up as follows:

	At 30 September 2019 £'000	At 30 September 2018 £'000
Deferred tax assets		
Tax losses	**2,565**	2,788
	2,565	2,788
Deferred tax liabilities		
Revaluation surpluses	**8,035**	6,851
Revenue recognised under IFRS 15	**474**	—
	8,509	6,851

14. Deferred tax continued

At 30 September 2019, the Group had unused tax losses of £20,513,000 (2018: £23,118,000), of which £15,089,000 (2018: £16,302,000) has been recognised as a deferred tax asset. £5,104,000 (2018: £6,227,000) has been applied to reduce the Group's deferred tax liability recognised at the balance sheet date as required by IAS 12 'Income Taxes' in respect of tax potentially payable on the realisation of investment properties at fair value at the balance sheet date. No deferred tax asset is recognised in respect of realised or unrealised capital losses if there is uncertainty over future recoverability.

Tax losses of £320,000 (2018: £589,000) have not been recognised as it is not considered sufficiently certain that there will be appropriate taxable profits available in the foreseeable future against which these losses can be utilised.

The UK corporation tax rate reduced to 19 per cent from 1 April 2017 and will, as enacted, reduce to 17 per cent from 1 April 2020, which will reduce the amount of UK corporation tax that the Group will have to pay in the future. The Group's deferred tax balances have been measured at rates between 17 and 19 per cent (2018: between 17 and 19 per cent), being the enacted rates of corporation tax in the UK at the balance sheet date against which the temporary differences giving rise to the deferred tax are expected to reverse.

15. Trading properties

	Year ended 30 September 2019 £'000	Year ended 30 September 2018 £'000
At 1 October	**273,770**	289,707
Additions at cost	**46,583**	90,057
Costs written down	**(730)**	(2,570)
Disposals	**(52,540)**	(103,424)
Transfer from investment properties (note 11)	**41,915**	—
Carrying value at 30 September	**306,998**	273,770

Trading properties by class of property	**At 30 September 2019 £'000**	At 30 September 2018 £'000
Direct interests in completed and development properties	**275,534**	238,557
Indirect interests held through land promotion, option or other contractual agreements	**31,464**	35,213
	306,998	273,770

During the year staff and administrative costs of £5,038,000 (2018: £4,238,000) have been capitalised and are included within additions.

Capitalised interest of £5,933,000 is included within the carrying value of trading properties as at 30 September 2019 (2018: £3,449,000), of which £3,077,000 (2018: £2,182,000) was capitalised during the year. Included within disposals is £593,000 (2018: £501,000) of interest previously capitalised and written off on disposal.

The carrying value of trading properties at 30 September 2019 includes £2,266,000 (2018: £2,656,000) 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 2019 £'000**	At 30 September 2018 £'000
Trade receivables	**44,365**	17,338
Other receivables	**1,533**	3,107
	45,898	20,445

16. Trade and other receivables continued

Current	At 30 September 2019 £'000	At 30 September 2018 £'000
Trade receivables	**11,588**	19,034
Less: provision for impairment of trade receivables	**(83)**	(29)
Trade receivables (net)	**11,505**	19,005
Other receivables	**1,563**	5,348
Amounts recoverable under contracts (contract assets)	**3,203**	1,350
Prepayments and accrued income	**2,192**	3,336
	18,463	29,039

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 £2,163,000 (2018: £6,582,000) 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 8.0 per cent (30 September 2018: 9.6 per cent). The fair value movement in the year is £850,000 (2018: £1,090,000) which has been credited to the income statement. Amounts totalling £8,357,000 have been collected by 30 September 2019 (2018: £3,874,000).

The ageing of trade receivables was as follows:	At 30 September 2019 £'000	At 30 September 2018 £'000
Up to 30 days	**4,226**	5,180
31 to 60 days	**42**	661
61 to 90 days	**184**	63
Over 90 days	**570**	555
Total	**5,022**	6,459
Amounts not yet due	**50,848**	29,884
Trade receivables (net)	**55,870**	36,343

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

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

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

17. Trade and other payables

	At 30 September 2019 £'000	At 30 September 2018 £'000
Trade payables	**10,751**	7,978
Taxes and social security costs	**4,896**	3,124
Other payables	**7,104**	8,628
Accruals	**11,350**	24,985
Deferred income	**1,614**	2,071
	35,715	46,786

18. Borrowings

	At 30 September 2019 £'000	At 30 September 2018 £'000
Bank loans and overdrafts	**27,366**	19,891
Other loans	**101,899**	74,973
	129,265	94,864

Maturity profile	At 30 September 2019 £'000	At 30 September 2018 £'000
Less than one year	**1,000**	20,891
Between one and five years	**45,218**	11,424
More than five years	**83,047**	62,549
	129,265	94,864

Other loans comprise borrowings from Homes England and Huntington District Council and a conditional grant. 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. The £1,000,000 grant is conditional on certain milestones of construction being achieved before 2020. The grant is only repayable if these are not reached.

There are two bank loans (the revolving credit facility and Deansgate investment facility), which are secured against specific property holdings. In the prior year, there were no bank loans, other than the revolving credit facility, which was not secured against property.

19. Financial instruments

(a) Capital risk management

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

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

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

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

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

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

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

(b) Financial risk management

The Group's principal financial instruments at 30 September 2019 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.

19. Financial instruments continued

(b) Financial risk management continued

(i) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates.

The Group holds 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 2019 (and 2018), the Group had no interest rate swaps in place and therefore exposure to interest rate risk in respect of its financial liabilities relates to the cost of servicing its floating rate borrowings.

Market rate sensitivity analysis

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

0.5 per cent increase in interest rates	**At 30 September 2019 £'000**	At 30 September 2018 £'000
Interest on borrowings	**(657)**	(482)
Interest on cash deposits	**122**	83
Total impact on pre-tax profit and equity – loss	**(535)**	(399)

0.5 per cent decrease in interest rates	**At 30 September 2019 £'000**	At 30 September 2018 £'000
Interest on borrowings	**657**	482
Interest on cash deposits	**(122)**	(83)
Total impact on pre-tax profit and equity – gain	**535**	399

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 earned £'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 earned £'000**
Total financial liabilities	**160,626**	**131,421**	**—**	**29,205**

19. Financial instruments continued

(b) Financial risk management continued

(i) Interest rate risk continued

Market rate sensitivity analysis continued

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2018 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	140,245	8,587	8,079	123,579

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	137,678	96,321	—	41,357

(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. 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 2019 are shown below. Included in cash is £1,943,000 that is restricted (2018: £4,546,000).

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**

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2018 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+	6,523	3,229	9,752
Barclays	A	618	147	765
HSBC	AA-	—	6	6
RBS	BBB+	1,417	4,698	6,115
		8,558	8,080	16,638

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 2019 (excluding £37,447,000 of liabilities repayable on demand) is presented below:

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

At 30 September 2018	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Other loan arranged in 2018	Sterling	3.11%	2027	28,400	37,648	—	—	—	37,648
Other loan arranged in 2018	Sterling	3.36%	2028	1,984	2,620	67	134	201	2,218
Other loan arranged in 2017	Sterling	3.36%	2028	32,164	45,225	—	—	—	45,225
Overdraft arranged in 2016	Sterling	3.30%	2019	19,891	20,454	20,454	—	—	—
Other loans arranged in 2015	Sterling	3.06%	2021	11,425	12,336	—	—	12,336	—
Total				93,864	118,283	20,521	134	12,537	85,091

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

	At 30 September 2019 £'000	At 30 September 2018 £'000
Expiring in less than one year	—	20,000
Expiring between one and five years	23,100	—
Expiring in greater than five years	13,594	31,310
	36,694	51,310

(c) Categories of financial assets and financial liabilities

The Group's financial assets carried at amortised cost amount to £168,193,000 (2018: £133,663,000) 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 £2,163,000 (2018: £6,582,000) and comprise other receivables. The Group's financial liabilities, all of which are financial liabilities at amortised cost, amount to £160,626,000 (2018: £137,678,000) and comprise bank loans, other loans, trade payables, other payables and accruals. At 30 September 2019 and 30 September 2018 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 £149,933,000 (2018: £97,919,000).

20. Share capital

Urban&Civic plc	At 30 September 2019 £'000	At 30 September 2018 £'000
Issued and fully paid		
145,148,088 (2018: 145,044,582) shares of 20p each (2018: 20p each)	**29,030**	29,009

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2017	28,993	144,964,808
Shares issued under scrip dividend scheme	16	79,774
At 1 October 2018	29,009	145,044,582
Shares issued under scrip dividend scheme	21	103,506
At 30 September 2019	**29,030**	**145,148,088**

21. Reserves

The movement on reserves in the year is set out in the consolidated statement of changes in equity on page 140.

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 2019	At 30 September 2018
Number of ordinary shares in issue	**145,148,088**	145,044,582
Own shares held	**(1,491,248)**	(1,769,935)
Dilutive effect of share options	**2,734,111**	1,743,418
	146,390,951	145,018,065
NAV per share	**275.3p**	268.3p
Net asset value (£'000)	**403,033**	389,023
Revaluation of trading property held as current assets (£'000)		
– Alconbury Weald	**42,302**	38,809
– Radio Station Rugby	**8,763**	10,561
– Priors Hall	**13,952**	9,384
– Waterbeach	**19,492**	—
– Wintringham St Neots	**12,297**	8,461
– Land promotion sites	**12,963**	11,667
– Newark	**154**	138
– Manchester sites	**5,600**	5,023
– Other	**424**	1,292
	115,947	85,335
Deferred tax liability (£'000)	**8,509**	6,851
EPRA NAV (£'000)	**527,489**	481,209
EPRA NAV per share	**360.3p**	331.8p
Deferred tax (£'000)	**(30,539)**	(23,065)
EPRA NNNAV (£'000)	**496,950**	458,144
EPRA NNNAV per share	**339.5p**	315.9p

23. Contingent liabilities, capital commitments and guarantees

The parent company has given guarantees totalling £69,153,000 (2018: £71,393,000) 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 2019 £'000	At 30 September 2018 £'000
Contracted but not provided for	**50,059**	54,744

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 2019, options over 1,981,452 shares (30 September 2018: 2,090,636 shares) were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

- EPRA net asset value must increase by greater than 5.0 per cent per annum for 25 per cent vesting and must increase by greater than 12.0 per cent per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent per annum and 12.0 per cent per annum; and
- total shareholder return must increase by more than 5.0 per cent per annum for 25 per cent vesting and must increase by more than 12.0 per cent per annum for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 5.0 per cent per annum and 12.0 per cent per annum.

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

The performance conditions for the awards granted in the period run from 1 October 2018 to 30 September 2021.

Options granted prior to 30 September 2017 had the following performance conditions attached:

- EPRA net asset value must increase by greater than 3.0 per cent per annum more than RPI for 25 per cent vesting and must increase by greater than 12.5 per cent per annum more than RPI for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between 3.0 per cent per annum and 12.5 per cent per annum; and
- total shareholder return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent vesting and must fall within the upper quartile of relative performance of the FTSE 350 Real Estate Index for 100 per cent vesting. Shares will vest on a pro-rated, straight line basis for outperformance between the medium and upper quartile.

At 30 September 2018 there were 10,345 vested share awards outstanding that were acquired as part of the business combination in May 2014 and had a weighted average exercise price of 20.0p. At 30 September 2019, all of these options remain vested but not exercised.

	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**		

	Year ended 30 September 2018			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2017	5,059,044	8.00p		
Awards lapsed	(1,633,666)	19.00p		
Awards exercised	(339,976)	20.00p		
Awards granted (date of grant: 8 February 2018)	2,090,636	—	154.00p–291.00p	300.00p
Awards outstanding at 30 September 2018	5,176,038	1.00p		

24. Share-based payments continued

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.

The fair value of the awards in the year ended 30 September 2018 was calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. The values assigned to those variables were: 300.00p grant date share price, nil exercise price, expected term of three or four years, 1.07 per cent expected dividend yield, 23.47 or nil per cent expected volatility and 0.81 or nil per cent expected risk free interest rate.

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 £3,955,000 (2018: £3,434,000).

The weighted average share price on the date of the awards exercised in the year was 304p (2018: 305p).

Employee Benefit Trust

	Number	Cost £'000
At 1 October 2017	1,569,437	4,003
Share purchase	452,828	1,392
Transferred to employees on share option exercises	(252,330)	(647)
At 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 30 September 2019	**1,491,248**	**4,086**

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 2019 the Trust held 1,491,248 (2018: 1,769,935) ordinary shares of 20p each in Urban&Civic plc. The market value of these shares at 30 September 2019 was £4,832,000 (2018: £5,381,000).

25. Leases

Operating lease commitments where the Group is the lessee

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

Land and buildings	**At 30 September 2019 £'000**	At 30 September 2018 £'000
In one year or less	**725**	1,013
Between one and five years	**976**	841
In five years or more	**4,102**	33
	5,803	1,887

25. Leases continued

Operating lease commitments where the Group is the lessor

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

Land and buildings (including investment property)	At 30 September 2019 £'000	At 30 September 2018 £'000
In one year or less	**1,313**	2,996
Between one and five years	**2,113**	5,580
In five years or more	**1,957**	4,984
	5,383	13,560

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 118.

The total compensation of key management personnel was £4,718,000 (2018: £4,726,000), which comprised short-term benefits of £2,619,000 (2018: £2,836,000), post-employment benefits of £169,000 (2018: £164,000) and share-based payments of £1,930,000 (2018: £1,726,000).

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 2019 £'000	At 30 September 2018 £'000
SUE Developments LP	**53,466**	45,146
Manchester New Square LP	**15,167**	14,918
Wintringham Partners LLP	**16,005**	15,383
Achadonn Limited	**3,345**	3,334
	87,983	78,781

The total provision at 30 September 2019 against amounts due from Achadonn Limited was £1,243,000 (2018: £1,243,000).

Fees charged by the Group to SUE Developments LP during the year were £952,000 (2018: £925,000). Included in trade debtors at 30 September 2019 was £241,000 (2018: £273,000) in respect of these fees. Fees charged to Wintringham Partners LLP during the year were £848,000 (2018: £1,048,000) and included in prepayments and accrued income at 30 September 2019 was £228,000 (30 September 2018: £801,000).

27. Cash flow information

Net debt reconciliation

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)**

At 30 September 2018 £'000	2017	Cash flows	Rolled up interest	Amortisation of issue and arrangement costs	Loans and borrowings reclassified in 2018	2018
Non-current loans and borrowings	69,824	(1,352)	2,182	184	3,135	73,973
Current loans and borrowings	24,026	—	—	—	(3,135)	20,891
Total borrowings	93,850	(1,352)	2,182	184	—	94,864
Cash and cash equivalents	(12,190)	(4,448)	—	—	—	(16,638)
Net debt	81,660	(5,800)	2,182	184	—	78,226

COMPANY BALANCE SHEET

as at 30 September 2019

	Notes	30 September 2019 £'000	30 September 2018 £'000
Fixed assets			
Investments	3	**463,547**	459,591
		463,547	459,591
Current assets			
Debtors due within one year	4	**25,444**	27,975
Cash at bank and in hand		**57**	295
		25,501	28,270
Creditors: amounts falling due within one year	5	**(166,379)**	(169,443)
Net current liabilities		**(140,878)**	(141,173)
Total assets less current liabilities		**322,669**	318,418
Capital and reserves			
Share capital	6	**29,030**	29,009
Share premium account		**169,163**	168,881
Share scheme reserve		**16,482**	12,527
Capital redemption reserve		**849**	849
Own shares		**(4,086)**	(4,748)
Merger reserve		**97,025**	97,025
Retained earnings		**14,206**	14,875
Shareholders' funds		**322,669**	318,418

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 £6,073,000 (2018: £2,901,000) attributable to the Company. At 30 September 2019, the entire balance of £15,783,000 (2018: £14,875,000) in retained earnings represents distributable reserves.

The financial statements were approved by the Board and authorised for issue on 27 November 2019 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 174 to 178 form part of these parent company financial statements.

Registered in Scotland No. SC149799

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 September 2019

F

	Share capital £'000	Share premium account £'000	Share scheme reserve £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2017	28,993	168,648	9,093	849	(4,003)	97,025	16,464	317,069
Shares issued under scrip dividend scheme	16	233	—	—	—	—	—	249
Share option exercise satisfied out of own shares	—	—	—	—	647	—	—	647
Purchase of own shares	—	—	—	—	(1,392)	—	—	(1,392)
Share-based payment expense	—	—	3,434	—	—	—	—	3,434
Total comprehensive income for the year	—	—	—	—	—	—	2,901	2,901
Dividends paid	—	—	—	—	—	—	(4,490)	(4,490)
Balance at 30 September 2018	29,009	168,881	12,527	849	(4,748)	97,025	14,875	318,418
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**	**16,482**	**849**	**(4,086)**	**97,025**	**14,206**	**322,669**

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 141 of the Group financial statements;
- certain financial instruments disclosure as equivalent disclosure has been provided in respect of the Group as a whole; and
- related party transactions with wholly owned members of the Group.

Rental income

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

Share-based payments

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

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

Employee Benefit Trust

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

Investments

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

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

Dividends

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

Financial instruments

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

Trade and other debtors

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

Financial liabilities

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

2. Directors' and auditor's remuneration

Directors' remuneration is disclosed in the Directors' remuneration report on pages 106 to 125. 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 150.

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 2018	485,729
Additions	1
Capital contribution on the granting of share scheme options to employees of subsidiaries	3,955
At 30 September 2019	**489,685**
Amounts written off	
At 1 October 2018	26,138
Impairment charge	—
At 30 September 2019	**26,138**
Net book value	
At 30 September 2019	**463,547**
At 30 September 2018	459,591

A complete list of the Company's subsidiaries is included in note 10 of these Company financial statements.

4. Debtors

	At 30 September 2019 £'000	At 30 September 2018 £'000
Amounts due within one year:		
Trade debtors	**106**	337
Other debtors	**46**	643
Prepayments and accrued income	**—**	308
Amounts due from subsidiaries	**25,292**	26,687
	25,444	27,975

5. Creditors

	At 30 September 2019 £'000	At 30 September 2018 £'000
Amounts due within one year:		
Trade creditors	**31**	189
Accruals and deferred income	**763**	2,013
Amounts due to subsidiaries	**149,164**	147,009
Bank overdraft	**16,321**	19,891
Other creditors	**100**	341
	166,379	169,443

6. Share capital

	At 30 September 2019 £'000	At 30 September 2018 £'000
Issued and fully paid		
145,148,088 (2018: 145,044,582) ordinary shares of 20p each (2018: 20p each)	**29,030**	29,009

Movements in ordinary 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 30 September 2019	**29,030**	**145,148,088**

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 £3,955,000 (2018: £3,434,000).

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. Financial commitments

Operating lease commitments where the Company is the lessee

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

Land and buildings	At 30 September 2019 £'000	At 30 September 2018 £'000
In one year or less	—	265
Between one and five years	—	—
	—	265

9. Contingent liabilities and guarantees

The Company has given guarantees totalling £69,153,000 (2018: £71,393,000) as part of the Group's obligations.

10. Subsidiary undertakings

At 30 September 2019 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
Daddon Hill Estate Management Company Limited[1]	100%	Property management
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]	100%	Property development
Manydown Investco LLP[1]	100%	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 Development Partnership LP[1]	50%	Property development
Terrace Hill Development Partnership Nominee Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Development Company Parent Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Developments Limited[1]	100%	Property development
Urban&Civic (Bradford) Limited[1]	100%	Property development
Urban&Civic (Management) Limited[2]	100%	Management and administration
Urban&Civic (Property Investment No 1) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 2) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 3) Limited[2]	100%	Property investment
Urban&Civic (Secretaries) Limited[2]	100%	Administration
Urban&Civic Alconbury Limited[1]	100%	Property investment and development
Urban&Civic Alconbury S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Armadale No. 1 Limited[2]	100%	Property development
Urban&Civic Bishop Auckland Limited[1]	100%	Property development

10. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban & Civic Buckingham Limited	100%	Property development
Urban&Civic Central Funding Limited[1]	100%	Investment holding company and property development
Urban&Civic Central Scotland Limited[2]	100%	Property development
Urban&Civic 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 No 1 Limited[1]	100%	Property development
Urban&Civic Property Developments No 2 Limited[1]	100%	Property development
Urban&Civic Property Investments No. 4 Limited[1]	100%	Investment holding company
Urban&Civic Redcliff Street Limited[1]	100%	Property development
Urban&Civic 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.

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
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
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
Homes England	Homes England is Homes and Communities Agency (HCA as it was formerly known)
Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Initial yield	Annualised net rent as a proportion of property value
ISA	International Standards on Auditing
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board as capable of measurement and are used to evaluate Group performance
LADs	Liquidated ascertained damages
Large site discount	Represents the difference between the unserviced land values ascribed by CBRE strategic site valuations (which take into account site scale and build-out duration among other matters) and the current retail prices being achieved on smaller parcel sales
LEP	Local Enterprise Partnership
Licences	Agreements entered into with housebuilders, which typically comprise a fixed element (the minimums) due to the Group upon reaching unconditional exchange and a variable element (the overage) which is dependent on the final selling price of the house

Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
Look-through gearing	Gearing including the Group's balance sheet attributable to the owners of the Company
LTV	Loan to value
MHCLG	Ministry of Housing, Communities and Local Government
Minimums	Contractual right to receive a minimum plot value in respect of a minimum number of plots each year. These minimums are payable on a look-back basis if minimum sales are not achieved
MOD	Ministry of Defence
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
Net gearing	Total debt less cash and cash equivalents divided by net assets
NPPF	National Planning Policy Framework
Overage	Variable consideration which applies an agreed percentage to the house sales price and then nets off any minimum already paid. No overage is payable where minimums are not achieved
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
PSP	Performance Share Plan
Resolution to Grant (planning consent)	Where a Local Authority planning committee resolves to grant planning permission subject to the completion of a planning agreement (such as a Section 106 agreement)
Return on Capital Employed (ROCE)	A financial ratio that measures how well a company is generating profits from its capital
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences
S106	Section 106 planning obligations
SDC or Strategic Development Committee	A subcommittee that functions on the same basis as the CDC, but reviews the Group's strategic sites
SDLT	Stamp Duty Land Tax
Subcommittees	SDC, CDC and Catesby
Terrace Hill Group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total NAV return	The growth in EPRA NAV per share plus dividends paid, expressed as a percentage of EPRA NAV per share at the beginning of the period
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
WACC	Weighted average cost of capital

Key contacts and advisers

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Registered number: SC149799

Principal place of business
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London W1S 1BJ

Company Secretary
Heather Williams FCIS

Independent auditor
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London W1U 7EU

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

Financial calendar

2019 final dividend[1]	2.5p
Announcement date	28 November 2019
Ex-dividend date	9 January 2020
Record date	10 January 2020
Calculation of scrip reference share price	9–15 January 2020
Last date for receipt of scrip elections/scrip applications	24 January 2020
Dividend payment/scrip issue date	21 February 2020
Annual General Meeting[2]	6 February 2020
2019 interim dividend	1.4p
Record date	7 June 2019
Dividend payment/scrip issue date	12 July 2019
2019 half-year results announcement	30 May 2019

1. The Board has recommended a final dividend of 2.5p per share which is payable subject to shareholder approval at the 2020 Annual General Meeting.
2. The Annual General Meeting will be held at 10.00 am on 6 February 2020 at The Savile Club, 69 Brook Street, London W1K 4ER.

Dividend Re-Investment Scheme (DRIS)

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

Shareholder fraud

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

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

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

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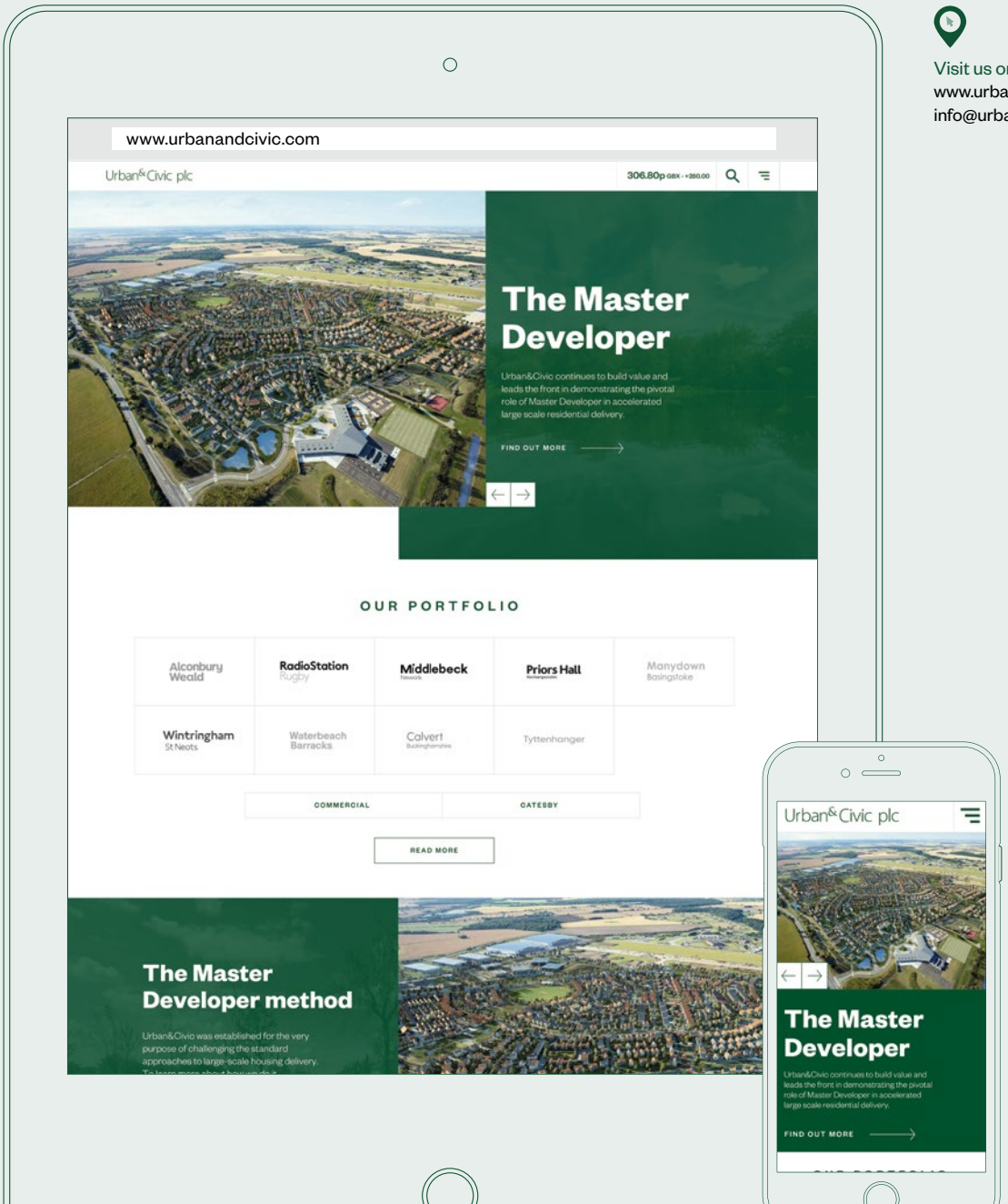

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