Urban&Civic plc

Annual Report and Accounts 2017

> The political mathematics are such that there is no realistic prospect of housing the fast growing population within 100 miles of London without an increased contribution from large sites. That involves two basic imperatives: shortening the period to first house completion and accelerating quality delivery thereafter. Our Master Developer model is demonstrably addressing both.

NIGEL HUGILL — CHIEF EXECUTIVE

p5 Explore the DNA of a Master Developer page 5

For our latest updates www.urbanandcivic.com

S Strategic report

4 Group at a glance
- 4 Fact sheet
- 5 Business model
- 8 Strategy

10 Chairman's statement
12 Chief Executive's statement
20 Market review
24 Financial review
32 Long-term viability statement
33 Risk review
38 Operational review
- 40 Strategic sites
- 42 Alconbury Weald
- 43 RadioStation Rugby
- 44 Newark
- 45 Priors Hall
- 46 Waterbeach Barracks
- 47 Wintringham, St Neots
- 48 Civic Living
- 50 Commercial
- 56 Catesby

60 Corporate responsibility

G Governance

74 Corporate governance review
75 Overview
76 Board of Directors
79 Corporate governance report
90 Reports
- 90 Nomination Committee
- 98 Audit Committee
- 104 Directors' remuneration report

121 Directors' report
125 Directors' responsibility statement

F Financial statements

128 Independent auditor's report
133 Consolidated statement of comprehensive income
134 Consolidated balance sheet
135 Consolidated statement of changes in equity
136 Consolidated cash flow statement
137 Notes to the consolidated financial statements
165 Company balance sheet
166 Company statement of changes in equity
167 Notes to the Company financial statements
172 Glossary of terms
174 Shareholder information

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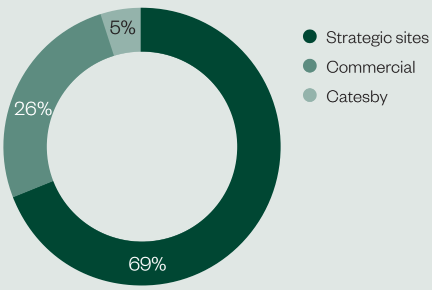
Carnaile Road, Alconbury Weald

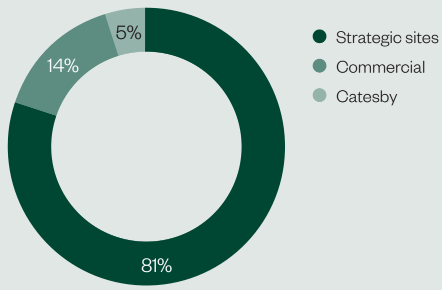
Strategic report

FACT SHEET

Portfolio value by segment 30 September 2017



Portfolio value by segment post year-end*



* Including post year-end acquisitions and disposals (see note 27 of the Group financial statements)

Housebuilder contracted minimums on strategic sites (over five years)

£62m*

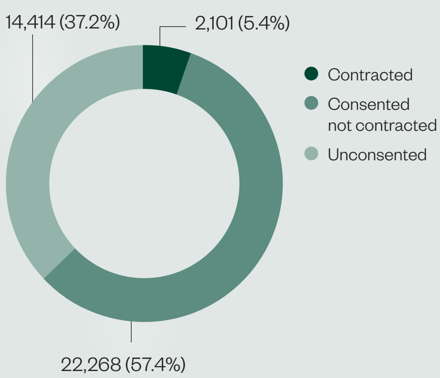
* Unindexed and in respect of strategic sites.

Gearing (ratio of net debt to IFRS net assets)

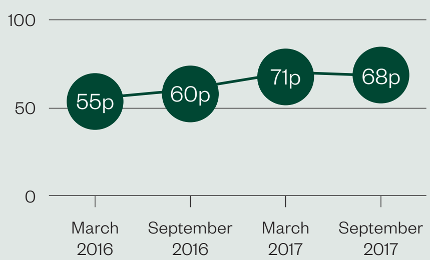
22.0%*

* 14.4% post-acquisitions and disposals subsequent to 30 September (see note 27).

Plot summary – 38,783 plots



Large site discount*



* Large site discount – the difference between projected cash receipts and balance sheet carrying value of Alconbury and Rugby on a per share basis.

HCA committed loan facilities

£138m

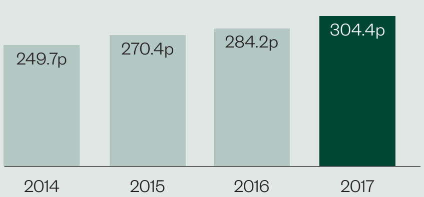
Property sales revenue

£112m*

* Includes £70 million sold and received post 30 September.

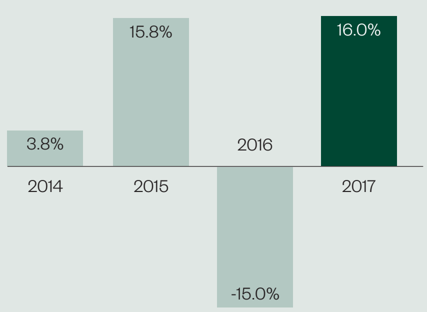
EPRA NAV per share

+7.1%



Total shareholder return

+16.0%



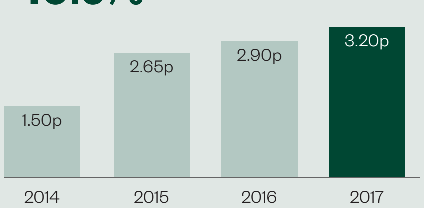
Development expenditure

£135m*

* Includes £15 million towards acquisition of Priors Hall post 30 September.

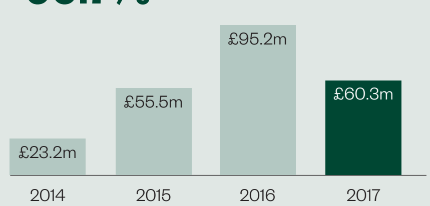
Annual dividend

+10.3%



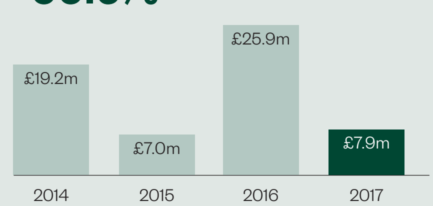
Turnover (year to 30 September)

-36.7%



Profit before tax (year to 30 September)

-69.5%



THE DNA OF A MASTER DEVELOPER

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Market leadership is no overnight achievement. It has taken 25 years of thought and hard graft. Processes continue to be refined by a team that has unique experience and the right skill set to lead on strategic sites. The Master Developer approach, with its emphasis on pace, scale, quality and sustainability, is woven into the DNA of our business. We think bigger, bolder and longer.

NIGEL HUGILL — CHIEF EXECUTIVE

Read more overleaf

THE DNA OF A MASTER DEVELOPER

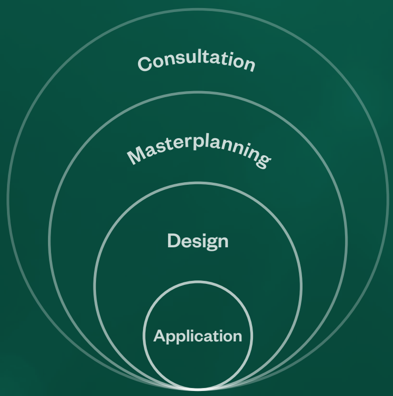
Projects

Target big, complex sites in key growth locations

Invest in the land for long-dated returns

Work with like-minded partners

Recognise every site demands a bespoke approach



Planning

Ensure senior team engagement with stakeholders and communities

Trust needs to be earned by making and delivering on promises

Cut through jargon and complexity – explain, illustrate and guide

With a 20-year consent – build in flexibility from the outset as things will change

Funding

Patient, experienced capital is required

Investment needs to be aligned with a commitment to quality

Actively use public funds to accelerate delivery

Maintain delivery throughout economic cycles

Delivery

De-risk issues at the earliest opportunity

Assume responsibility for delivery of infrastructure to maintain momentum

Work at scale to create efficiency

Establish multiple points of sale to enhance absorption

Homes

Keep control by not selling off large parcels

Package land on a consistent basis across phases and sites

Create a level playing field for all sizes of housebuilder to compete

Be prepared to self-deliver the more difficult plots to maintain quality and values

Quality

Establish quality benchmark from the start

Use planning, contracts and the example of self-delivery to maintain standards

Ensure your team really cares about the details

You don't need to spend more; you just need to spend it smarter

STRATEGY

As a Master Developer which focuses on the delivery of strategic sites, we seek to provide a tangible financial dividend for our investors and a social dividend for our stakeholders across our entire portfolio. We believe in doing things right and we define ourselves by the quality of our projects.

Wintringham, St Neots.

Secure additional strategic sites/consents

We continue to be a market leader in the delivery of strategic sites and are actively pursuing further sites within 100 miles of London to achieve our previous target of 40,000 dwellings, predominantly through off-market negotiations and, if brought forward sensibly, through public procurement.

Progress
By the end of 2017:

- We formed a joint venture with the Nuffield Trusts to acquire and deliver 2,800 units at Wintringham Park in St Neots, further leveraging our existing relationships in Cambridgeshire.
- Working with the Homes and Communities Agency ("HCA") we acquired Priors Hall from the joint administrators and will be taking forward the delivery of the existing consent for 5,095 units.
- We are actively bidding on additional off-market and public procurement opportunities.

p35 Key risks
R1, R2, R3, R4, R5, R9

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

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

Progress
By the end of 2017:

- The HCA has committed £138 million of infrastructure funding across Alconbury, Rugby, Newark and Corby, of which we have already drawn £86 million.
- At Rugby, work has commenced on the western end of the link road with the full road scheduled to open in early 2019. This seven-year acceleration ahead of programme means discussions with our housebuilder customers on a new point of sale at Rugby, some 1.5 miles from the existing hub, have already commenced.
- By actively encouraging more local housebuilders such as Hopkins Homes, Morris and Davidsons, we have diversified the market for our serviced land parcels, which is reflected in those housebuilders requesting further plots or operating across multiple sites.

Housebuilders at Alconbury.

p35 Key risks
R2, R5, R6, R7, R9

Wolverhampton consultation.

Identify and deliver further trading opportunities

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

Progress
By the end of 2017:

- We will have sold two commercial assets allowing for the recycling of capital into the acquisition of further sites.
- The development agreement between Urban&Civic and the City of Wolverhampton was completed for the redevelopment of Westside Wolverhampton, creating a clear forward commercial pipeline.
- In Manchester, there have been strong forward sales of our Manchester New Square development and following an international design competition, Glenn Howells Architects was appointed to master plan our Renaissance Hotel site with a planning application programmed for submission in late 2018.

p35 Key risks
R1, R2, R4, R5, R6, R7, R9

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Sustain and enhance the quality of placemaking

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

Progress
By the end of 2017:

- The Secretary of State for Planning and Local Government, as a guest of the Midlands Growth Engine, and the new Housing Minister, as a guest of the HCA, have visited Rugby and Alconbury respectively, as examples of demonstrable and quality delivery.
- Our housebuilder customers continue to achieve sales values and rates above those originally appraised with positive feedback from their customers on the extent and quality of landscaping, schools and facilities delivered by the Master Developer being a key differentiator.

Secretary of State visiting Rugby.

p35 Key risks
R2, R6, R9

Hampton by Hilton Hotel at Stansted Airport.

Deliver returns for investors and other stakeholders

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

Progress
By the end of the 2017 financial year:

- EPRA NAV per share +7.1 per cent (+35.7 per cent from Listing).
- Total shareholder return of 16.0 per cent (2016: (15.0) per cent).
- Wholesale discount starts to reverse as forecast from 71.0p at March 2017 to 68.0p (further explained in the Chief Executive's statement).
- 52 plot completions, 17 exchanges and a further 42 reservations during the financial year.

p35 Key risks
R1, R2, R4, R9

The Bishop of Ely at Ermine Street Church Academy, Alconbury.

Colonel David Anderson RE (retired) and Air Vice-Marshal Richard J Knighton CB re-opening the Waterbeach Military Heritage Museum.

EDGE partnership at the Jobs and Apprenticeships Fair, St Neots.

Placing a premium on quality and accelerated delivery.

ALAN DICKINSON — NON-EXECUTIVE CHAIRMAN

I am very pleased to be able to report continued advancement across the course of the financial year and beyond. The Group has made significant additional strides since September with the sale of almost half of our remaining commercial and leisure assets and the redeployment of some of the proceeds into the important purchase of Priors Hall in Northamptonshire. The project is one that our management team has been tracking for several years and which we worked hard to buy.

Urban&Civic was established for the very purpose of challenging the standard approaches to large-scale housing delivery. We are determined that strategic sites can make an increased contribution in our chosen markets within 100 miles of London and the largest provincial cities. Our Master Developer model places a premium on quality and accelerated delivery and has gained real traction with our housebuilder customers. The model involves faster planning through taking project responsibility, then working with expansionist housebuilders to shorten the period between consent being granted and first construction. The licence structure encourages build-out by those housebuilders, whilst contracted minimum annual payments underpin the Group's future cash flows. The arrangements are capital-light to our customers and, at the same time, provide Urban&Civic with a good future security of income.

Priors Hall is part constructed and slots at the front of a chronology of what are now six strategic projects. The purchase will enable us to preserve balance by taking on some new major propositions that are not yet adopted in Local Plans.

The much publicised Oxford to Cambridge rail line is being designed to encourage incremental housing as well as to re-establish transport links across the middle of the country. Those clear objectives play to the strengths of our management in combining placemaking with transport.

Shareholders should not take the recent realisations as a sign that we are giving up on commercial development. Instead the intention is that anything of scale will be forward funded in future.

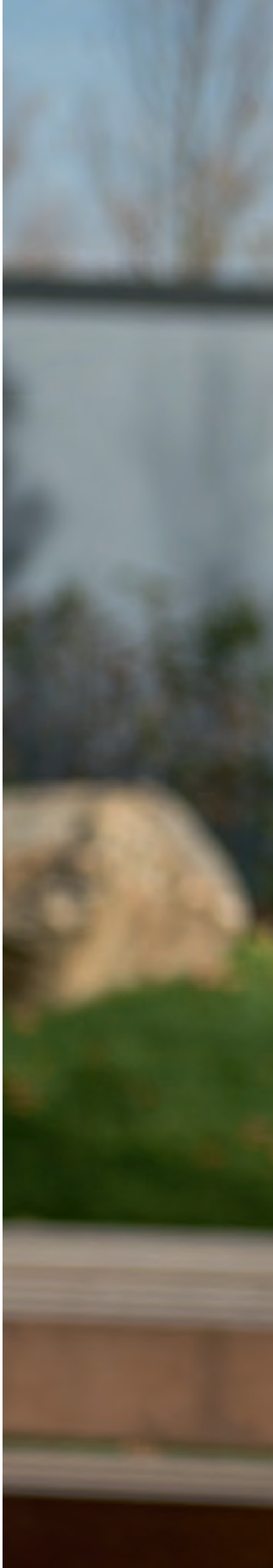
The stamp duty increase to five per cent announced in the March 2016 Budget has gone a large way to negating any yield advantage on the sale of investment properties. Certainly that is the case in the area in which we are most competitive, large town/small city retail and leisure schemes, promoted by the relevant local authority, which is often also the existing landowner.

Institutional pre-funding is also consistent with the Board's stated policy of a high level of financial prudence. Gearing is moving up a little as strategic spend increases but substantively all of the Group's project facilities are from the Homes and Communities Agency, whose interests are aligned closely with ours. The stature of our partnerships with Aviva, Dioceses of the Church of England, the Ministry of Defence (via Defence Infrastructure Organisation) and Trusts from Nuffield College and Oxford University are testimony to our financial approach and our insistence on doing things the right way.

Jon Di-Stefano, the chief executive of Telford Homes Plc, has joined the Board as a Non-Executive Director. He brings knowledge and understanding both of quality housebuilding and adapting a business to incorporate high levels of institutional partnership funding. We are delighted to have him as we are sad to see Bob Dyson stand down at the forthcoming AGM in February. Bob was on the Board of Terrace Hill originally and has played a key role in transitioning through to the current positioning for future growth. He leaves with our grateful thanks. A circulation of our Non-Executive Directors will continue, in accordance with good practice in the UK Code of Corporate Governance.

Conditions are not getting any easier and uncertainties abound. Equally, the barriers to large-scale housing projects are considerable and we have moved far in a comparatively short time. Employment levels in our selected areas of high population growth are at record highs. There is much now in the corporate tank but still more that can be achieved.
We continue to work to that end.

Alan Dickinson
Non-Executive Chairman
27 November 2017



No silver bullet but significant positives.

NIGEL HUGILL — CHIEF EXECUTIVE

IN SUMMARY

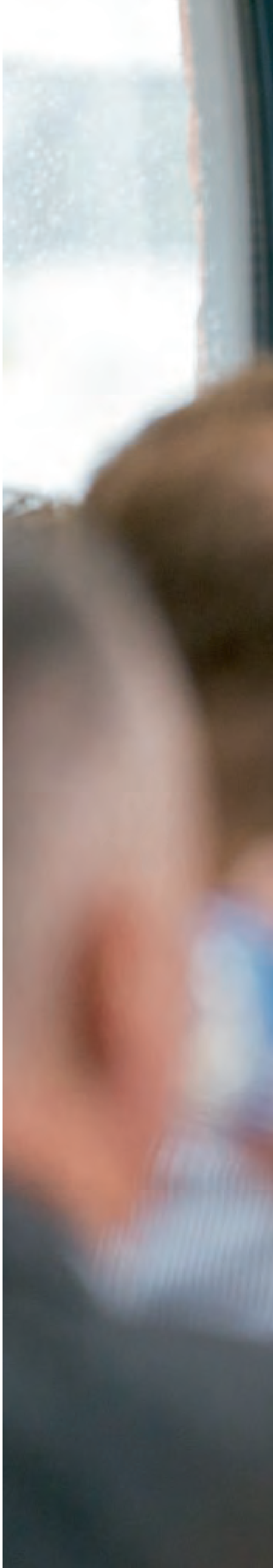
- Outcomes reflect stated intentions and unique Master Developer licence model.
- EPRA NAV up 7.1 per cent to 304.4p per share.
- Large site discount starting to reverse as forecast. Alconbury and Rugby pro-rata discount estimated at £99 million, based on CBRE 150-unit parcels. Equivalent to 68p per share against 71p per share at March 2017.
- Practical advantages of Master Developer facilitating large-scale residential build strengthened by our five-year licences that are capital efficient to housebuilders but which require minimum annual payments that transparently underwrite annual forward receipts to Urban&Civic.
- Post balance sheet events reinforce clarity: switch from Stansted Hotel into Priors Hall. Meanwhile, political mathematics direct increasingly towards large sites, witness housing reset in the Autumn Budget.
- Increased final dividend of 2p per share, recognising progress and positive outlook. Full year 3.2p per share: up 10.3 per cent.

Introduction

Good results. Significant positives to our enlarging business base underlined by further advantageous post balance sheet transactions and public pronouncements. EPRA net assets per share were up 7.1 per cent to 304.4p as at 30 September 2017. EPRA net assets reached £439.3 million, as compared with £409.8 million at 30 September 2016. Unlike last year, the growth was divided pretty equally across the two periods. Reported pre-tax profits of £7.9 million, whilst down on £25.9 million in the 12 months to 30 September 2016, also showed a maturing profile. Residential property sales contributed £5.7 million to profits and will rise from here. Post balance sheet sales of the bulk of the remaining commercial assets aggregating £70 million will lift pre-tax profits above trend in the first half of the current year.

The core reason for establishing Urban&Civic was to provide new housing choices and accelerate supply through Master Development. In accordance with our strategy, that involves creating environments in which people actively want to live and a delivery structure that encourages speed and quality from those housebuilders looking to expand output. Our results demonstrate the extent to which the Master Developer model can be seen to be working financially as well as philosophically. The recent commercial asset realisations reflect the determination of the Board to position the balance sheet in the direction that the Company holds clear competitive advantage. A proportion of sales proceeds was redeployed almost immediately in the acquisition of Priors Hall in Northamptonshire at a cost of £40.5 million. Buying from administrators is never straightforward and our new project purchase demonstrates the ability of Urban&Civic to work through large site challenges that other developers often find too daunting.

Following the off-market purchase earlier in the year of a 33 per cent equity interest in the near 3,000 unit Wintringham project at St Neots, Cambridgeshire, there can be no mistaking where your Company has set its stall. The 400-acre site had been in the ownership of trusts associated with Nuffield College, Oxford, since the 1940s and was bequeathed by the late Lord Nuffield. Urban&Civic has taken charge of project delivery with a collective determination that the partnership can provide an appropriate financial and environmental legacy. The related opportunity lies in the prospect of taking our Master Developer model and harnessing the Nuffield experience of creating healthier lifestyles to show just what well-structured new large-scale projects can contribute when improved wellbeing is prioritised from the outset.



1 Secretary of State for Communities and Local Government, Rt Hon Sajid Javid MP, visiting Rugby, October 2017.

2 Minister for Housing, Alok Sharma MP, visiting Alconbury with HCA, August 2017.

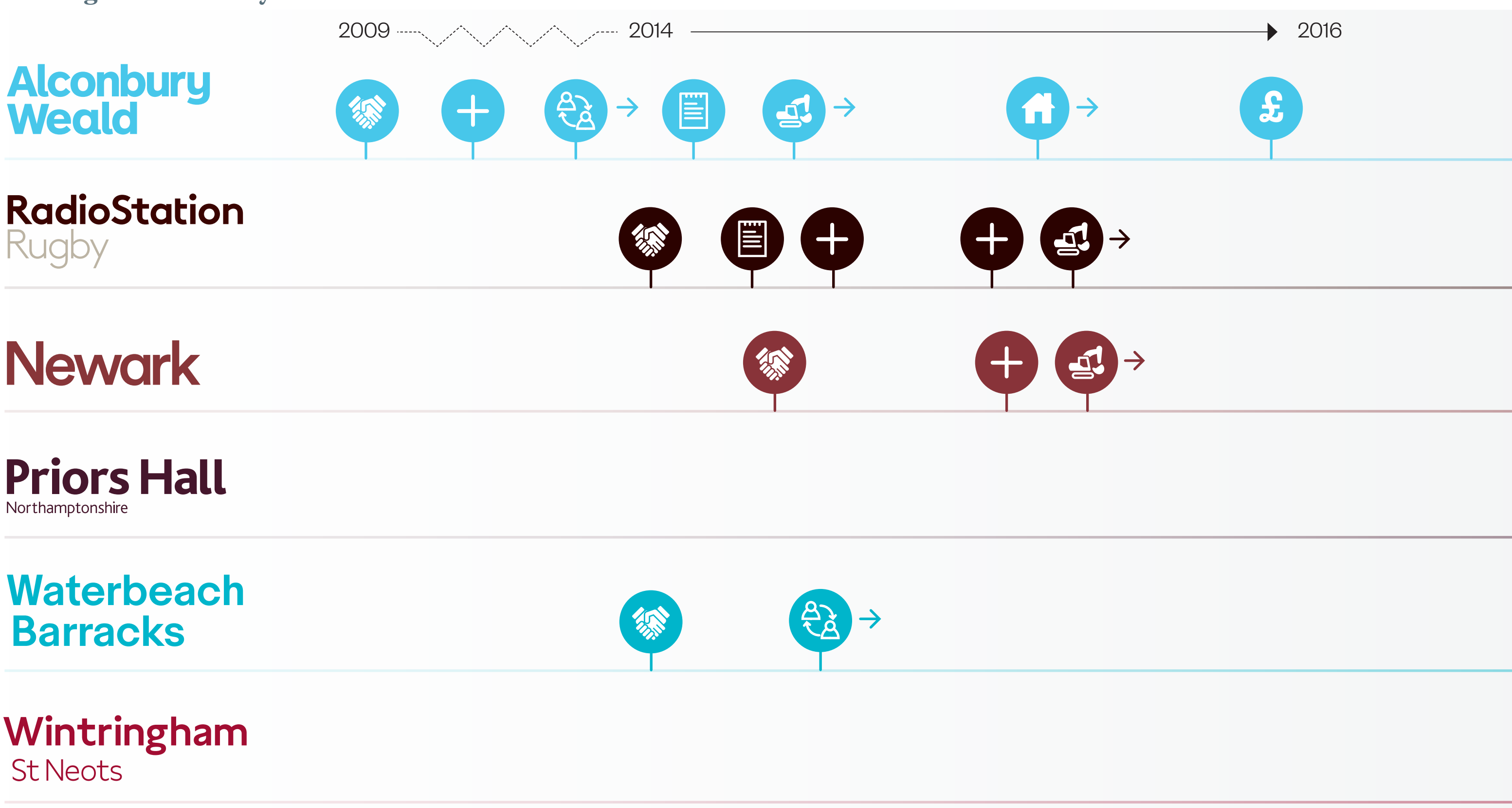
Introduction continued

Adjusting for post balance sheet disposals and the acquisition of Priors Hall, 80 per cent of property assets of the Company are now invested in strategic projects with a further 6 per cent in Catesby. I can also relay increasing enthusiasm amongst our housebuilder customers as to the reciprocal benefits of the Urban&Civic Master Developer model. Your Company is absolutely succeeding in setting aside the shibboleths too often attaching to strategic residential sites in the past. Our projects are rigorously managed with key infrastructure, schools, cycleways, footpaths, roads, planting and playgrounds all delivered early to reduce any sense of pioneering amongst incoming residents. Our licences encourage housing quality and the signs are that delivery will be faster. We are on track to double historic industry averages.

Much of the difference in relative performance comes from careful project selection in the more affordable locations within 100 miles of London, supported by good transport links and recognised demographics of high employment and population growth. The remainder is grounded on disciplined on-site procedures honed over 30 years of large and complex project delivery. We have learnt our ways from commercial development and we are sticking with them. Our Master Developer differentiator is paving the way for new policy assumptions in the process. Following recent commercial asset sales, substantively all Group project loans are ten-year facilities from the UK Government's Homes and Communities Agency. The recent National Infrastructure Commission recommendations followed by the November Budget could not have been more categoric as to the requirement for additional strategic housing provision across a brain belt between Cambridge and Oxford. There is nobody better equipped in this country to deliver in those areas and at that scale than Urban&Civic.

No real negatives to report, other than perhaps, the pipeline of Catesby monetisations has become a little held up including by post-appeal judicial challenges.

Strategic site delivery:

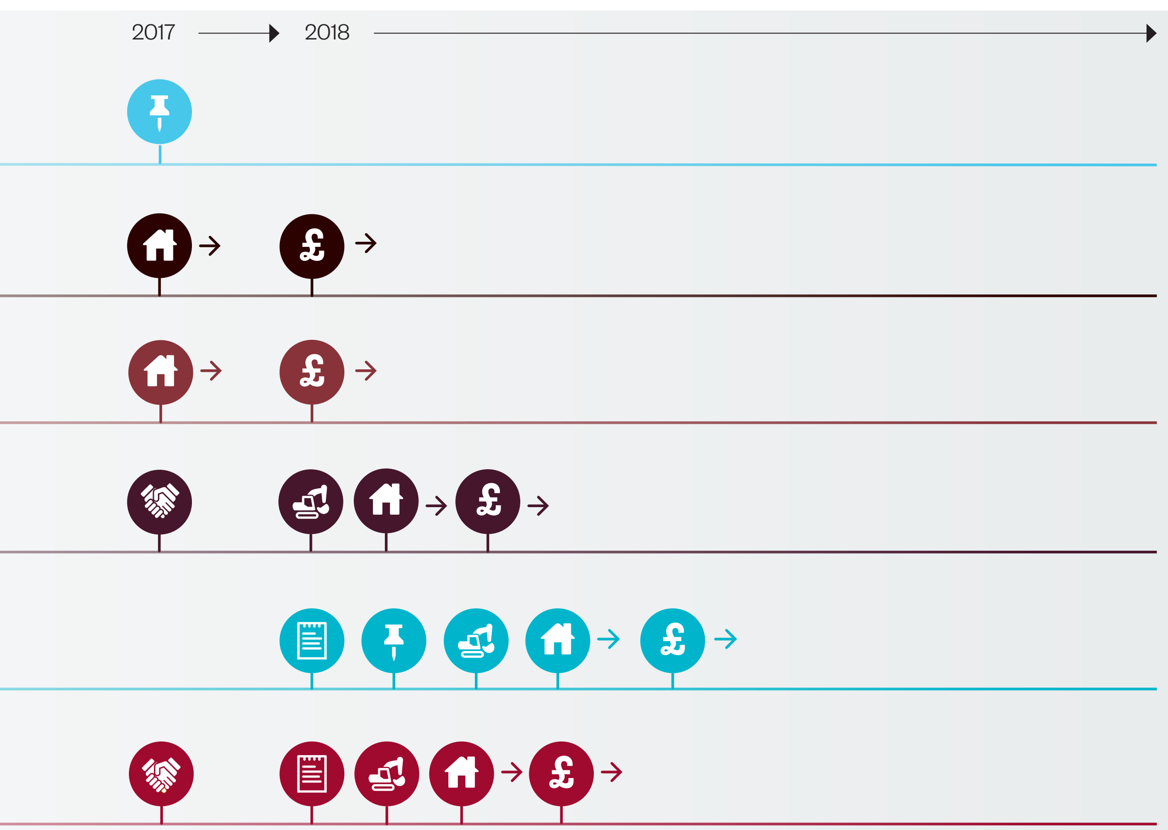


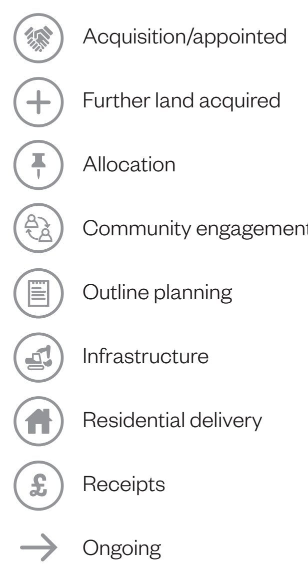
Master Developer and security of income
As Master Developer, Urban&Civic retains project responsibility and licenses fully serviced plots in typical lot sizes of 150 to 200, ready for the housebuilders to commence early construction. We receive around one-third of sales value when houses are sold; subject to the underpinning condition that we are paid a minimum annual drawdown, typically 35 to 40 plots per year, at fixed prices irrespective. Our housebuilder customers can accelerate sales and payments to us but they cannot slow down beyond the contracted minimums. Put another way, our licence arrangements see us sell roughly five years forward for a basic consideration paid annually plus overage. Urban&Civic is acting as wholesaler to our housebuilder customers but with better security over contracted income.

We are now five years forward sold across four sites to a range of successful housebuilders with licence participations or overage in practically all instances. First agreements have been contracted with Avant and Bellway at Newark and will contribute a further minimum £2.8 million per year. Meanwhile, receipts from contracted sales at Priors Hall were estimated on acquisition at approximately £11.8 million, of which £4.2 million is expected to be received in the current financial year. With the addition of Priors Hall receipts, contracted sales are expected to raise around £17.0 million in the current year, on flat house price assumptions. It is that security of income, in combination with the potential for accelerated delivery, which underwrites our confidence to realise commercial assets for further reinvestment into strategic projects.

The likelihood is that we will have at least 17 separate agreements with housebuilders at the March 2018 interim stage. We delayed the start of our own building to allow our primary customers first run. The Civic Living designs are more contemporary and will feature a higher proportion of apartments. We are confident they will help broaden the product mix alongside housebuilders already on site. Construction has begun at Alconbury to be followed by Rugby and Newark in the first half of 2018.

Operating highlights
The principal operating highlights during the year were the start on site at Alconbury of Morris Homes and Redrow, with continuing strong sales from Hopkins Homes, (53 completions and a further 15 reservations or exchanges from start on site in April 2016), and the Davidson's show house now being open at Rugby (15 reservations), with construction having also commenced by Crest Nicholson and Morris Homes. Avant Homes are building at Newark and Bellway will follow shortly. Two new parcels are under negotiation at Alconbury and preliminary agreements with at least two more housebuilders will be reached at Wintringham early in the new year. There are seven housebuilders of varying sizes on site for the first phase of Priors Hall.





p38 View our operational review pages 38 to 59

Post balance sheet sales

Whilst after the year end, the effective switch of a part of the sales receipts from the recently completed Hampton by Hilton Hotel at Stansted Airport into the acquisition of Priors Hall warrants specific comment. The sale of the hotel, which only opened for trading in July 2017, was an obviously strong outcome for the Group. The minimum consideration of £48.3 million represented a projected yield on stabilised EBITDA three years forward of 6.75 per cent and was 15 per cent higher than the EPRA valuation of the completed asset in the interim balance sheet as at 31 March 2017. Profit realised on actual cost is in the order of £8.5 million. Cash returned back into the business, after accounting for development project bank debt, exceeded £30.0 million. An additional sum of up to £1.1 million will be paid to Urban&Civic, depending upon operational performance over the next two years. The signs are that we will receive at least a percentage. Initial occupancy levels and achieved room rates are running above pre-opening forecasts. The subsequent sale of Feethams in Darlington realised a further £22 million, representing £8 million after repayment of secured debt. The September 2017 EPRA balance sheet takes account of the realised values, using the minimum consideration in the case of Stansted. Additional commercial disposals remain in train.

Acquisition of Priors Hall, Northamptonshire

If we have sold well, we have to believe that we have bought better. The Priors Hall transaction represents an important business win on a project that we have monitored closely for several years. The acquisition of 965 acres of partly built land is right in the Urban&Civic sweet spot: chequered history, long and supportive funding structure, demonstrable potential for better project organisation and improved planning. Plus the demographic fundamentals are attractive: 28 per cent population growth over the past 15 years with seven million people living within 50 miles. Recent house price growth in the local area is amongst the highest in the country, no doubt boosted by a 68 minute direct rail service to London. Priors Hall has been achieving sales of around 200 new homes a year despite being under managed and over leveraged. The scheme will benefit from the love and attention that it has begun already to receive. Our skills and experience as incoming Master Developer confer competitive advantage for which we expect to be rewarded with superior returns.

Housing by numbers

A virtual forest of newspaper columns and no few analysts' commentaries have sought to address the causes and consequences of a shortfall in new UK housing construction. Were there a silver bullet it would most certainly have been fired by now, given the meticulous search for a weapon. We are currently adding about half a million people a year to the national population, of which just less than one-third is net immigration from the European Union. The Office for National Statistics has revised down population forecasts but still expects population numbers to exceed 70 million before the end of the next decade. The 20-year growth average is around 0.5 per cent per year.

It is also as well to remind ourselves as to the exceptional nature of the challenge (and what I see as the corresponding business opportunity). The sustained UK population growth is unmatched in any of the major European economies. Equally, our unemployment rate of 4.3 per cent and working age employment ratio of 75.0 per cent are genuinely remarkable. Our country is one of the world's great workplaces. One can argue about the quality but there can be no disputing that England, at least, has been a job-creating machine over the past decade.

—
1 Priors Hall, Corby.
2 HCA away day to Alconbury, August 2017.

The aspect that is often overlooked is the extent to which population and employment growth has become concentrated. The consequence is that population increases within 100 miles of London are sometimes double those of the headline national rate. Nor are the highest numbers limited to the capital. As examples, recent population growth in Cambridge and Peterborough has exceeded that of London. Compound one to two per cent growth over ten years and the increase is often 15 per cent. This is of a quite different scale from almost all provincial European locations.

Carrying that exposition further, a local authority in Southern England normally has around 170,000 residents. Simple mathematics are that 15 per cent growth in ten years adds 25,000 people.

On standard occupation assumptions, that requires 10,000 new dwellings over the same period. Our conclusion is that the most practical way of meeting that requirement is to bring forward more big sites and to have them deliver faster. Now that we are five years forward sold to a spread of housebuilders on the initial parcels on our consented sites and carry strong backing from the Homes and Communities Agency, we can direct the balance sheet without betting the business.

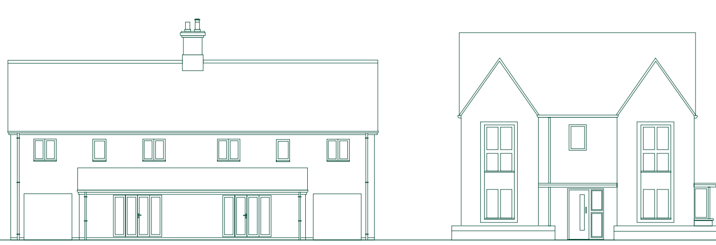
Housebuilding

The second economic driver is access. It is tempting for my generation to be overly sanguine about property prices but outside London and a few other overbought locations, renting is more expensive than buying leaving access to the deposit as the remaining hurdle to ownership. To that end and despite the interest rate rise, we should enter 2018 in slightly better shape than one may have expected earlier in the year. Mortgage approvals are likely to be up over the year and transactions about 5 per cent higher. Borrowing costs remain historically low, employment levels show no signs of going down and income growth in the wider economy is likely to drift upwards as the labour market tightens.

Following a hesitant recovery, housebuilding activity has picked up steadily in recent years. This has been most apparent in the period since the introduction of the Help to Buy scheme in 2013. Measured on a 12-month rolling basis, housebuilding is running at around 170,000 new constructions a year, still less than 1 per cent of existing stock. For this ratio to return to its long-term average, housing starts would need to increase to around 220,000 per annum. In short, all roads lead to new build, for the foreseeable future, as Help to Buy supports the marginal buyer.

Help to Buy

Help to Buy was designed to do what it said on the tin: to provide assistance to home buyers by increasing the supply of low-deposit mortgages. Since the scheme was introduced in April 2013, the value of Help to Buy equity loans has totalled £6.75 billion while the value of the properties bought within the scheme has been around £32 billion. This is equivalent to 4 to 5 per cent of all mortgage loans for house purchases over this period but a much higher percentage of new builds. Moreover, utilisation is increasing. In the year to June 2017, there were around 43,000 Help to Buy completions. This was up from around 35,000 in the same period a year earlier. The average property price within the scheme has been around £240,000. Without the scheme first-time buyers especially would be denied access to the mortgage market, despite relative affordability. It should come as no surprise that it was extended.



Catesby

There are frustrations around consented applications obtained by Catesby for 790 dwellings in high growth areas, languishing in the judicial process. In one instance, the earliest a Court of Appeal date could be scheduled is for April 2018, some 20 months after the initial grant of planning consent in August 2016. We will, however, continue to account for the trading profits on realised sales only as they come through.

The competitive position of Catesby is strengthened by specialist expertise and the ability to infrastructure. The environment for promotions is becoming more challenging, both in terms of the margins being bid on smaller projects and in appeal decisions on five-year land supply. Consistent with broader Group priorities, Catesby is responding to changing market conditions in the land promotion market by targeting larger projects of up to 2,000 dwellings.

Immediate priorities

One of the most pleasing aspects of your Company's performance over the past 12 months has been the manner in which we have been able to fulfil the immediate priorities articulated this time last year. We were able to add two important new projects to our portfolio and submit a planning application at Waterbeach, three miles north of the Cambridge Science and Business Parks which is arguably the most significant application being processed in the country at the present time.

The focus for 2018 is to secure approval for the submitted applications at Waterbeach and Wintringham, comprehensively revisit the assumptions for future development at Priors Hall and do what we can to unblock the prevarications that have log jammed consented Catesby projects that would otherwise be helping to add to national housing numbers. We are also evaluating making an application to open up a new area of 1,500+ further dwellings at Alconbury, which is consistent with the emerging Local Plan for Huntingdonshire.

We acquired our interest in the near 3,000 unit scheme at Wintringham in St Neots, Cambridgeshire, in April and submitted a hybrid planning application in October. My expectation is for a resolution to grant in the first quarter of 2018. Such is our growing reputation that housebuilder customers are prepared now to invest time and resources in working up designs ahead of consent. As a result we have a decent shot at getting foundations in the ground for contracted partners before the end of next year. In stark contrast, recent reports describe the period from submission of outline planning consent through to the delivery of first dwelling is typically approaching seven years for sites above 2,000 units. Urban&Civic as Master Developer is shaking those prevailing assumptions to their very core. Wintringham ought to be our fastest yet: we are on track to come in around 24 months from formal planning application submission to first housing delivery.

The comparison is not so direct at Priors Hall in Northamptonshire, where we acquired an existing over leveraged project in administration. Urban&Civic has owned the project for just over a month but I am pleased to be able to inform shareholders that the signs are already good.

Planning normally constitutes firm ground for Urban&Civic but the identification of immediate priorities is not in any way to gainsay the importance of continuing to deliver quality and accelerated numbers at Alconbury, Rugby and Newark and to bring Priors Hall up to scratch. Quality delivery is a necessary accompanying condition in superseding the historically sedate rates of sale too often witnessed on large scale sites elsewhere. Our commitment includes the clearly stated intent to deliver a tangible dividend to the stakeholders and communities with which we work. We have sought to augment our reputation on this by establishing and testing some repeatable metrics.

Finally, the acquisition of Priors Hall in the course of development and the likely pace to delivery at Wintringham enables us to look to establish a chronology that includes new major schemes at initial commencement. Shareholders can be assured that we will only be taking on projects where the realistic expectation is for much faster delivery under our stewardship than has been the third party average in the past. The recent National Infrastructure Commission Report, immediately followed by the Budget, both require the rapid delivery of new large sites to achieve the housing numbers required in South East England. Our Master Developer model is halving the time from outline planning to start on site and thereafter we are on track to double historic rates of delivery. This is transformational to project economics and political credibility. Your Company is shortlisted or actively evaluating a number of significant new projects including opportunities along the Cambridge to Oxford Corridor.

Should we achieve planning consent at Wintringham and Waterbeach in the current financial year, with at least one/two new strategic scale projects to come alongside, that would meet the previous target that we set ourselves of having 40,000 residential dwellings with Urban&Civic as Master Developer. Moreover, in that eventuality, three-quarters of all units would be consented.

In addition, Catesby is promoting 10,000 new units on its own account and on behalf of third parties, which would lift the total to 50,000 prospective new dwellings overall. We are not about to get ahead of ourselves and will reset our targets only when the existing objectives are met. Internal governance has been strengthened with the formalisation of the Executive Management Committee, reporting directly to your Board, which establishes a broad and efficient corporate structure for risk management, delivery and future growth.

Outlook

Unusually for the property sector, there are very few qualifications in relation to the near-term outlook of your Company.

In terms of the markets in which we operate, overall levels of housing activity have generally been more resilient than had been expected in the period since the EU referendum. Across all regions, house price inflation has been steady at around 5 per cent during 2017. Outside London, house price inflation is broadly stable while housing transactions have been trending gently upwards. This confidence is reflected by housebuilders continuing to enter into contracts with Urban&Civic containing minimal annual commitments that extend well beyond the Brexit horizon.

Measures of affordability that capture the impact of lower borrowing costs have improved considerably since the recession. Across all regions, it has been estimated that initial mortgage payments for first-time buyers are currently equivalent to about a third of average post-tax earnings. This compares with a peak of over 50 per cent in 2007/08.

Reflecting this, the number of first-time buyers has increased from a recession low of around 150,000 to around 350,000. The abolition of stamp duty for that group of purchasers on properties of up to £300,000 can only assist sales on our sites at present. With high employment and borrowing costs remaining at historic lows, overall levels of housing market activity are, in my view, likely to trend upwards. The reasonable expectation is for house prices rising broadly in line with average earnings over the medium term and housing transactions rising further.

Your Company has been blazing its own trail towards the creation of a new asset class for licence sales on strategic projects. The resulting lack of comparable transactional evidence continues to provide challenges to our valuers. They are starting to nudge down the discount rates applied to contracted sales. Nevertheless, the gap between their starting point of the current appraised open market value of 150–200 plots and the effective applied discount for strategic scale remains considerable. Using CBRE assumptions, the corresponding large site discount can be calculated at £99 million at September 2017, equivalent to 68p per share, in addition to our reported EPRA NAV figure. This figure has started to reverse at Alconbury and Rugby and ought to become more incorporated in base valuations as the pace of sales increases and our valuers are able to factor in greater corroboration. The estimated September 2017 discount is higher than the equivalent figures last year (September 2016: £91 million, or 60p per share) but lower than our interim (March 2017: £103 million, or 7.1p per share). In the meantime, maintained housing demand ought to be sufficient to ensure that net cash proceeds under our sales arrangements realise better than 2x current EPRA September 2017 plot values, even on completely flat house price assumptions.

Dividend

The final dividend of 2.0p per share maintains the stated policy of increasing annual dividends by 10 per cent when the performance of the Company and the Board's estimation of future prospects is seen as warranting such. There will be a scrip dividend alternative for which I shall again be electing.

Continuing thanks

The outcomes this year underlined by the pace of progress in recent weeks speak loudly to the commitment and dedication of Board and staff colleagues alike. It is most gratifying to report that our collective judgements appear to be proving sound. It is a privilege and a delight to be part of such a team. We are far from finished yet.

Nigel Hugill
Chief Executive
27 November 2017

1 Town House Square, Hopkins Homes, Alconbury.

2 Wintringham application public consultation – October 2017.

MASTERING DEVELOPMENT

Q&A WITH NIGEL HUGILL AND ROBIN BUTLER

As a Company, we believe in debating and discussing all aspects of our business and we are not short of an opinion or two. Here we put some of the market's key questions to our Chief Executive and Managing Director.

Following your most recent purchase, what is your level of capacity in terms of manpower and cash flow to deliver further schemes? Is your cash flow generation fast enough? How do you propose to grow the business?
RB: We now have six sites; we could happily handle three to four more at different stages of maturity with additional project manager hires. Perhaps more. The formalisation of the Executive Management Committee is part of our maturing business model and reflects the ability and experience of our senior people to manage an increasing portfolio. Priors Hall will benefit from a bit of what Nigel calls "tough love" but we are already introducing procedures there that are consistent with those that are used elsewhere. The fundamental switch of mindset on strategic sites is that they are better seen as large-scale property development than conventional housebuilding. Much of the more complex project management comes at the front. Equally, while the eventual project spends may be at least on par with the schemes that we undertook in London, individual infrastructure packages tend to be smaller and there is much greater conformity and design consistency. As such, the risks are lower once the schemes are underway.

What is the planning status at Waterbeach?
NH: Urban&Civic and the Secretary of State for Defence submitted a planning application in February 2017 for the construction of up to 6,500 new homes on 293 hectares (715 acres) of brownfield land at Waterbeach Barracks, to the immediate north of Cambridge and part of the existing settlement of Waterbeach. Construction has started on site already to convert some of the existing Barracks buildings into 240 rooms for medical staff at Papworth Hospital. Detailed travel to work analysis for the main application based on census data has demonstrated a definitive requirement for new housing in the north of Cambridge, including requirements from the enlarging Science Park. Our best current estimate for the main application coming to planning committee is Q2 2018.

Which are the most active housebuilders at the moment on your sites? What trends are you seeing on your sites?
RB: It remains early days for us but the list of housebuilders on our sites (Hopkins Homes, Redrow, Morris Homes, Crest Nicholson, Davidsons and Avant) is a solid indication of the type of housebuilders with which we are most likely to partner. We are not evangelistic; we sold a 64-plot parcel to Bellway at Newark and the existing spread at Priors Hall is wider. Nevertheless, encouraging regional builders fits squarely with the Government agenda and is an important component of our Master Developer model.

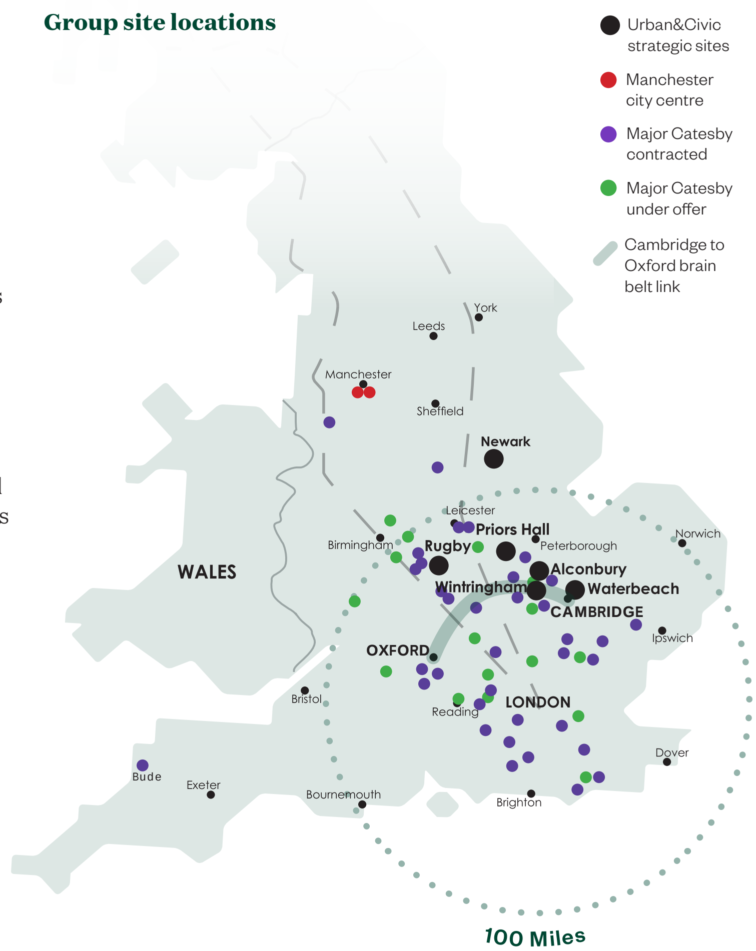
As to trends, people like to see a show home and they are attracted by Urban&Civic being seen to have responsibility for site-wide matters (being an early mover is one thing but a pioneer on a never-ending building site is quite another). Our housebuilders are keen already to roll onto new parcels (saves on prelims and gives sub-contractors a pipeline of work, which helps control of wage inflation). I am also confident that peer group quality will be self-reinforcing. That has not always been the case on consortium sites in the past, which typically tended towards the lowest common denominator. Urban&Civic licences act against that temptation.

What percentage of home buyers on your sites receive assistance from Help to Buy?
NH: 46 per cent across all sites (52 per cent at Alconbury).

Is that a concern?
NH: Quite the opposite. It shows that we are facilitating housing delivery for young people and families in areas for which home ownership is an absolute priority. The Help to Buy equity share scheme was designed to provide access to the mortgage markets to home buyers that could afford monthly servicing repayments but not accumulate sufficient initial capital to fund a 25 per cent deposit. That was the primary objective. By definition those aspirants tend to be younger people in employment in middle England, where the cost of housebuying is appreciably lower than renting, once the hurdle of the initial deposit has been scaled.

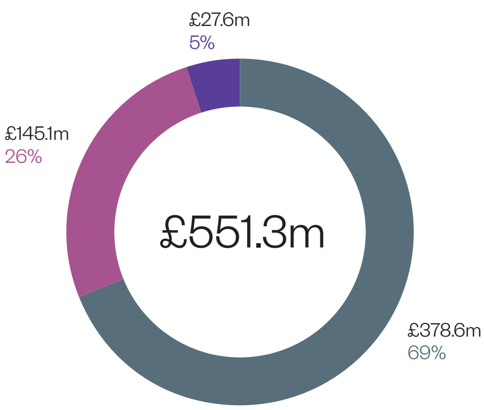
The latest figures from the Department of Communities and Local Government speak for themselves; from the launch of the scheme in the second quarter of 2013, up to the end of June 2017, 134,558 properties had been bought. The vast majority of these were purchased by first-time buyers. Those housebuyers gravitate naturally to high quality environments like ours where quality of living, green spaces and great schools can be taken as given. Self-evidently, there is a skewing towards new housing in the process but the Urban&Civic model tends to be more sensitive to absorption than marginal pricing. The bigger point from our perspective is will Government reduce access to young buyers when 95 per cent of mortgages are otherwise economically unavailable? Certainly not this one.

Group site locations

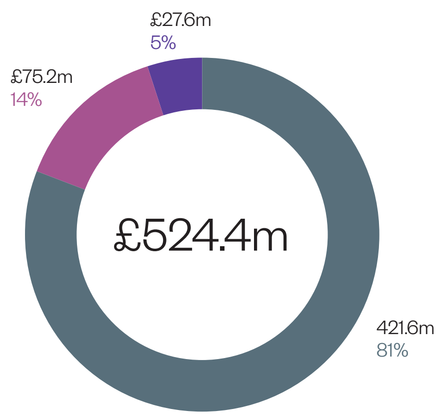


Property analysis – year end and post year-end transactions

Year end



Post year-end[1]



By segment:
● Strategic sites ● Commercial ● Catesby

1. Post year-end acquisition of Priors Hall and disposals of Stansted and Feethams commercial properties.

Is that a concern? continued
NH: We are past peak capital requirement at Alconbury and approaching first sales at Rugby and Newark. There are Phase 1 receipts to come at Priors Hall and all further infrastructure investment scheduled to be financed from HCA project facilities. We are working very hard on taking on at least one project to champion on the Oxford to Cambridge road and rail corridor. That would be an addition to the back end of our project chronology – so not very capital demanding in the first instance but potentially of very substantial scale.

This picks upon a continuing theme as to the risk. We are not about to alter our approach to low gearing and to limiting Group borrowing against land to ten-year plus facilities from Government. On the basis that we get things right, there ought to be sufficient asset leverage in the projects. The recent commercial property sales free up capacity and the net cash proceeds were only partially redeployed in Priors Hall. Moreover, we are not necessarily wedded to keeping maximum ownership in our strategic projects. The new property asset class in large site investments could well involve percentage sell-downs and reinvestment in less mature propositions.

You have been a little quiet about Civic Living. What has happened there?
NH: No change of strategy. We are not about to compete with our housebuilding customers and have held back a few months for them to get established. Our starting position is that we will build out the more complicated parcels, notably those containing a high proportion of apartments. The best plots go to our customers.

We will be on site early in 2018 now with 138 units at Alconbury, fronting directly onto a main entrance including a number of apartments. Rugby and Newark, together about 200 units, should start delivery in the current financial year. The ultimate objective is for 10 to 20 per cent of overall sales to be through Civic Living. Obviously, this excludes, for example, sales at New Square in Manchester, or likely PRS build at Waterbeach, where the pace would be much faster.

You recently sold the newly opened Hampton by Hilton Hotel at Stansted Airport and two commercial assets in the North East. Are there more potential commercial sales in the pipeline? Do you expect to bring any more commercial developments online this financial year?
NH: The short answer to the first question is not many because we have few other commercial assets to sell at present.

Those sales also serve to reinforce our clarity of purpose. Property companies are husbanders of assets. The responsibility of management is to look to maximise returns, relative to the risk that is being assumed. Investors can take decisions on which subsectors they favour. Urban&Civic was established for the very purpose of disrupting the standard approaches to housing delivery. Our Master Developer model was devised to do just that. In the meantime, all significant indicators point to our being in that period where the strongest housing performance, especially in terms of absorption, comes from locations with good connections to London. Government actions are serving as a reinforcement.

House completions

Accordingly, we remain categorical as to the direction of travel. Last year we reported that 73 per cent of gross property assets were in residential plots, mostly within a 100-mile radius of London. With the recent commercial sales and the acquisition of Priors Hall, we are now approaching 85 per cent, with a further 5 per cent in Catesby. Our licence arrangements with housebuilders contain the equivalent of five years' forward sales contracts and substantively all our project borrowings are ten-year interest accrued facilities with the Homes and Communities Agency. No other listed property company comes close to this configuration and security of commitment.

RB: That is not to say that we will stop undertaking commercial development entirely. The senior management is steeped in experience, including those from the former Terrace Hill business. The retail park at Bradford is midway through a major upgrade and repositioning. We are working up new proposals with local authority landowners in Sunderland and Wolverhampton, where good progress is being made in securing pre-lettings. Most of our strategic land projects have commercial components. Away from our own residential sites, commercial projects will almost certainly be institutionally funded. There is clear appetite and therefore this remains a strategic priority.

Is the plan to eventually dispose of all completed assets which fall out of your strategic land expertise?
RB: Not necessarily. Where we can, we may decide to keep commercial assets on our major projects for income. Plus, as Nigel says, one should always look at the relative. Disposals are only made when additional value creation opportunities and expected market movements attaching to an asset are outweighed by the returns achievable through alternative investment of sale proceeds. What is the case is that overhead coverage through retaining income-producing commercial assets is less of a priority as a result of our strategic land minimums. Forward funding means that we will have less to sell; either could change over time.

Can shareholders expect dividends to grow as plot sales rise?
NH: Yes. The informal current policy is for 10 per cent annual growth, so long as the results warrant and the Group is largely reinvesting. Shareholders can expect to see increasing dividends as net cash generation gathers pace.

Solid growth and increased demand

DAVID WOOD — GROUP FINANCE DIRECTOR

KEY OBSERVATIONS

- 52 home completions and a further 59 reservations or exchanges in the year at Alconbury and Rugby.
- EPRA NAV per share up 7.1 per cent to 304.4p per share; or 9.6 per cent per annum since 2014 Listing.
- 80 per cent of the Group's property portfolio now in strategic sites.
- Government borrowings now account for over 80 per cent of total drawn debt (taking into account the post balance sheet sale of Stansted and Feethams and acquisition of Priors Hall).
- Large site discount at Alconbury and Rugby (pro-rata) now starting to reverse. Estimated to be around £99 million, or 68p per share, on the basis of CBRE valuation assumptions (March 2017: £103 million or 71p per share).
- Increasing dividend to 2.0p, providing a full year dividend of 3.2p up 10.3 per cent.

Introduction

With six housebuilders constructing homes on seven separate land parcels, over three strategic land sites, the Group's income statement profile continues to evolve reflecting our increased investment in residential land.

The Group's joint venture with Hopkins Homes at Alconbury is performing well, completing on 52 homes in the year with a further 45 homes either exchanged or reserved by Hopkins, Morris Homes and Redrow. Davidsons achieved 15 reservations at Rugby and subsequent to the year end the first five reservations were made by Avant Homes at Newark.

Revaluations reflecting development progress and the post-year-end disposal of Stansted have also contributed to our 7.1 per cent growth in EPRA NAV per share.

In the absence of significant trading profits in the second half from either Catesby or commercial asset disposals, the reported profit after tax is broadly in line with the first half, with rental income and property trading profits all but covering overheads.

Key performance indicators

We have previously stated that both EPRA net asset value (EPRA NAV) and total shareholder returns are used to evaluate performance, and this remains the case; however, other key metrics that are important or are of growing importance include look-through gearing, EPRA triple net asset value (EPRA NNNAV), which provides for deferred tax on property revaluations, and plot completions. The growing importance of the latter two measures reflects lower historical tax loss coverage for profits going forward and growing plot completions at our strategic sites.

Full year dividend
3.2p
+10.3%

Alconbury valuation
+5.0%
to £244.6m

Post year-end sales of
£70m

Property portfolio valued at
£551.3m

Introduction continued

Key performance indicators continued

	Year ended 30 September 2017	Year ended 30 September 2016	Increase
EPRA NAV	**£439.3m**	£409.8m	7.2%
EPRA NAV per share	**304.4p**	284.2p	7.1%
EPRA NNNAV	**£421.9m**	£397.1m	6.2%
EPRA NNNAV per share	**292.3p**	275.4p	6.1%
Total shareholder return	**16%**	(15)%	31%
Look-through gearing – IFRS NAV basis	**25.2%**	10.6%	14.6%
Look-through gearing – EPRA NAV basis	**21.3%**	9.5%	11.8%
Plot completions	**52 plots**	1 plot	—

EPRA NAV has grown from £323.8 million on the May 2014 Listing to £439.3 million at 30 September 2017, representing a compound annual growth rate of 9.6 per cent after an annual dividend pay-out of around one per cent. The 7.2 per cent (£29.5 million) increase in EPRA NAV in the last 12 months to 30 September 2017 is further analysed below.

Total shareholder return for the year increased 16 per cent, reflecting a 33.0p rise in share price (to 258.0p per share at 30 September 2017) and two dividends paid during the year totalling 3.0p per share. This compares to a 1.43 per cent rise in the FTSE 350 Real Estate Index and a 7.84 per cent increase in the FTSE All-Share Index.

Net asset value – EPRA and IFRS

The movements in EPRA and IFRS NAV during the year are summarised below. This analysis, together with the consolidated statement of comprehensive income and balance sheet summaries presented further in my commentary, provides a non-statutory, line by line, proportional consolidation of the joint venture balances to aid comparability.

	Year ended 30 September 2017				Year ended 30 September 2016	
	Group £m	Joint venture and associates £m	Total £m	Pence per share	Total £m	Pence per share
Revaluation of properties (trading and investment)[1]	**6.4**	—	**6.4**	**4.4**	13.4	9.3
Profit on property sales	**9.4**	**1.3**	**10.7**	**7.4**	18.9	13.1
Rental and other income	**4.9**	—	**4.9**	**3.5**	6.3	4.4
Administrative expenses	**(14.7)**	—	**(14.7)**	**(10.2)**	(12.3)	(8.5)
Dividends paid	**(4.5)**	—	**(4.5)**	**(3.1)**	(3.9)	(2.7)
Other	**2.8**	—	**2.8**	**1.9**	(3.9)	(2.7)
IFRS movement	**4.3**	**1.3**	**5.6**	**3.9**	18.5	12.9
Revaluation of retained trading properties[1,2]	**20.5**	**6.8**	**27.3**	**18.9**	15.1	10.5
Release of trading property revaluations on disposals	**(3.5)**	—	**(3.5)**	**(2.5)**	(15.2)	(10.6)
Deferred taxation	**0.3**	**(0.2)**	**0.1**	**0.1**	1.5	1.0
EPRA movement	**21.6**	**7.9**	**29.5**	**20.4**	19.9	13.8
Effect of share issues and dilutive options			—	**(0.2)**	—	—
Movement in the year			**29.5**	**20.2**	19.9	13.8
EPRA NAV at start of period			**409.8**	**284.2**	389.9	270.4
EPRA NAV at end of period			**439.3**	**304.4**	409.8	284.2

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

Property revaluations continue to make a significant contribution to the Group's EPRA NAV growth, accounting for 23.3p of the 20.2p per share uplift.

The Directors valued 24 per cent of the property portfolio with the remaining 76 per cent (30 September 2016: 84 per cent) valued by CBRE. A more detailed reconciliation between IFRS and EPRA NAV is provided in note 22 to the Group financial statements.

Consolidated statement of comprehensive income

The Group's profit before tax for the year was £7.9 million, down £18.0 million from the previous financial year. This was predominantly as a result of lower investment property revaluation surpluses, following reclassification of Rugby to trading stock at the end of last year, and a fall in profits made on the sale of trading properties. These decreases have been partially offset by a net write up of trading properties this year compared to a write down of £7.1 million last year, a significant proportion of which related to our Scottish land sites.

	Year ended 30 September 2017			Year ended 30 September 2016		
	Group £m	Joint venture and associates £m	Total £m	Group £m	Joint venture and associates £m	Total £m
Revenue	**60.3**	**11.0**	**71.3**	95.2	—	95.2
Profit on trading property sales[1]	**9.6**	**1.3**	**10.9**	18.9	—	18.9
Rental and other property profits	**3.4**	—	**3.4**	4.5	—	4.5
Hotel operating profit	**1.5**	—	**1.5**	1.8	—	1.8
Write up/(down) of trading properties	**1.4**	—	**1.4**	(7.1)	—	(7.1)
Gross profit	**15.9**	**1.3**	**17.2**	18.1	—	18.1
Administrative expenses (net of capitalised costs)	**(14.7)**	—	**(14.7)**	(12.3)	—	(12.3)
Surplus on revaluation of investment properties	**4.9**	—	**4.9**	13.9	6.6	20.5
Share of post-tax profit from joint ventures	**1.3**	**(1.3)**	—	6.6	(6.6)	—
Other	**0.5**	—	**0.5**	(0.4)	—	(0.4)
Profit before tax	**7.9**	—	**7.9**	25.9	—	25.9

1. Including residential property sales as disclosed in note 2 to the Group financial statements.

Revenue

Residential property sales, which are effectively a new income stream this year, now account for over 55 per cent (£33.8 million) of total revenue (62.8 per cent if you include joint venture residential sales). This relative growth in importance has been assisted somewhat by a £69.6 million reduction in other trading property sales since last year, which, you may recall, benefited from the £38.2 million sale of our foodstore in Herne Bay and the disposal of residential flats at Bridge Quay, Bristol, for £17.3 million.

At the half year, I explained that our residential revenues were generated from house sales by our joint venture with Hopkins Homes as well as the recognition of contractual minimums under our licence arrangements with Morris Homes at Alconbury. While this pattern continued into the second half (Hopkins generated £15.2 million for the year and Morris £10.7 million), the Group also recognised additional minimums in respect of Redrow licence arrangements at Alconbury (£6.8 million) and, for the first time, £0.3 million of overages on 11 contractual exchanges on properties sold by Morris Homes and Redrow, again at Alconbury.

Our Rugby joint venture also started to produce income from minimums (£11.0 million for our 50 per cent share) under arrangements with Crest Nicholson and Morris Homes. You will note I have proportionally consolidated this sum in the above table for ease of comparability going forward.

By way of reminder our use of the term "licence arrangements" refers to a number of agreements that the Group has entered into with housebuilders at our strategic sites. These licence agreements typically comprise a fixed element (the minimums) due to the Group upon reaching unconditional exchange and a variable element which is dependent on the final selling price of the house (the overage).

Accounting standards require us to recognise revenue when the risks and rewards of ownership have transferred to a buyer and revenue can be measured reliably, among other criteria. Following contractual completion, and where the licence agreement sees us transfer land and take a charge over that land to secure the future overages, management is of the view that the criteria for recognising the revenue associated with the minimums have been met. Furthermore, only when the housebuilder has exchanged the sales contract with the home buyer, do management currently consider they can reliably measure and recognise overages. Current revenue recognition reflects the early stage of development at the strategic sites, where there is limited track record of sales coupled with the inherent uncertainty over future house prices. You should be aware that accounting standards are changing in this area and we have set out the effect of the new standard (IFRS 15 'Revenue from Contracts with Customers') would have on current-year results in note 1 to the Group financial statements. The new standard will not be effective for the Group until the period commencing 1 October 2018.

The Hopkins Homes and Davidsons arrangements do not involve a land transfer prior to the sale to the homeowner and therefore the risks and rewards of ownership are not transferred (and no revenue is recognised) until then.

Although minimums and overages are recognised in full when the above criteria are met, as they are due in stages over the next four to five years they have been discounted at the counterparty's weighted average cost of capital.

The amount of profit recognised in respect of the contractual minimums and overages is discussed overleaf.

Other revenues were broadly in line with the prior year.

Gross profit

Gross profits are £2.2 million lower than reported in the year to 30 September 2016 or £0.9 million lower if the Group's share of joint venture trading property sales is proportionately consolidated.

Profits from trading property sales include £4.6 million in respect of residential sales at Alconbury, £4.2 million of Catesby land promotion profits, £0.4 million from Bridge Quay and Scottish land disposals and £1.1 million from Rugby joint venture residential sales.

Residential sales profits at Alconbury comprise £2.2 million generated by the sale of 52 Hopkins homes, £2.1 million in respect of Morris Homes and Redrow contractual minimums, and overages of £0.3 million on exchanges made by Redrow and Morris. All of Rugby's profits relate to Crest Nicholson and Morris Homes minimums.

Hopkins Homes sales amount to c. £42,000 of net proceeds per home, which, if you add back £15,000 of attributable land cost of sales, equates to £57,000 of unserviced land value per home, equivalent to 2.1x CBRE's unserviced land value at 30 September 2017 (being £26,600 per plot). We have labelled this differential the wholesale discount and it represents the difference between day 1 values being achieved on single plot sales and the plot value implied by CBRE valuation assumptions, which assume a disposal of the entire site.

While Hopkins averages are across a limited number of private plots, the principle set out above has been used in calculating the 68p per share wholesale discount referred to in the Chief Executive's statement. The main adjustments to the Hopkins averages include blending pricing to take into account the effect of providing required affordable housing and other site-wide averaging in respect of servicing costs.

The level of profit recognised in respect of contractual minimums reflects the full recognition of the discounted revenue referred to above net of the full associated cost of sale, which means overages will not bear further cost deductions as and when they arise.

The increase in rental and other property profits, when compared to the prior period, is due to additional rent from the completed Feethams Leisure scheme and increased project management fees on our developments.

Trading property write-ups of £1.4 million substantially relate to the completed hotel development at Stansted (£1.2 million).

Administrative expenses

Administrative costs of £14.7 million were expensed in the year, after capitalising £5.2 million into the Group's development projects. The £2.4 million increase over the 12 months to 30 September 2017 is predominantly due to a lower proportionate capitalisation (26.2 per cent this year compared to 36.7 per cent last year) following development completion of Feethams, Herne Bay and Stansted.

Administrative costs also include a £3.1 million charge in relation to the non-cash share-based payment expense (2016: £2.4 million). A corresponding credit has been included within retained earnings, resulting in the expense having no NAV impact.

Surplus on revaluation of investment properties

There have been a number of reclassifications over the last two years that have mirrored the Group's changing view on those assets it intends to hold for income generation and capital growth and those it intends to sell. Following last year's transfer of the Group's share in Rugby to trading stock, a decision has been made this year to move the remaining Alconbury residential (previously earmarked for retention and rental) to trading stock and bring in a proportion of Waterbeach to investment properties (these movements are explained in more detail below). The Group now holds a less significant proportion of its assets, or parts of assets in the case of Alconbury and Waterbeach, as investment properties and therefore valuation movements have reduced through the income statement; uplifts on trading properties are only recognised through EPRA measures.

Investment properties generated £4.9 million of revaluation surpluses in the year and Alconbury was responsible for £5.9 million of that uplift. Feethams was written down to the post balance sheet sales value, which pared back the overall uplift to £4.9 million.

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

CBRE's valuation of Alconbury increased from £197.1 million to £235.5 million in the year, based on the consistent assumption that we deliver serviced land parcels – CBRE does not value any work in progress in respect of housebuilding the Group may undertake through joint venture or on their own account.

After allowing for housebuilding expenditure incurred at Alconbury, under the contractual arrangements with Hopkins Homes, the valuation increases to £244.6 million. The allocation of the value within our year-end balance sheet is shown below.

£m	Investment properties	Trading properties	Properties within PPE	Trade and other receivables	Total
Valuation at 1 October 2016	94.0	103.8	3.4	—	201.2
Less: EPRA adjustment (trading properties)	—	(31.7)	—	—	(31.7)
Carrying value in financial statements at 1 October 2016	94.0	72.1	3.4	—	169.5
Capital expenditure (including capitalised overheads)	12.7	37.0	—	—	49.7
Transfer to trading properties	(43.3)	43.3	—	—	—
Disposals	(9.0)	(26.0)	—	—	(35.0)
Revaluation movements (investment properties)	5.9	—	—	—	5.9
Amounts included within trade and other receivables	—	—	—	17.2	17.2
Carrying value in financial statements at 30 September 2017	**60.3**	**126.4**	**3.4**	**17.2**	**207.3**
Add: EPRA adjustment (trading properties)[1,2]	—	37.3	—	—	37.3
Valuation at 30 September 2017	**60.3**	**163.7**	**3.4**	**17.2**	**244.6**

1. £5.6 million movement in year reflects £37.3 million closing EPRA adjustment less £31.7 million opening EPRA adjustment.
2. Includes revaluation of the Morris Homes and Redrow variable considerations classified as a financial asset.

The revaluation movements on the previous page reflect increases in sales value assumptions, which have been supported by evidence generated through the reservations, exchanges and sales at the Hopkins Homes, Redrow and Morris Homes land parcels and reduced discount rates for land subject to contractual arrangements.

Taxation expense

The tax charge for the year of £1.1 million reflects an effective rate of tax of 14.0 per cent, lower than the average rate of UK corporation tax for the period, principally due to losses brought forward and excess losses generated in the period available to offset realised profits and revaluation surpluses. The charge relates in most part to the utilisation of losses brought forward.

Dividend

The Board proposes a final dividend of 2.0p in respect of the year ended 30 September 2017, taking the total dividend to 3.2p, up 10.3 per cent on last year. Subject to shareholder approval at the AGM to be held on 8 February 2018, the dividend will be paid on 23 February 2018 to shareholders on the register on 12 January 2018. Investors choosing to participate in the dividend reinvestment scheme will need to make their election by 26 January 2018.

The Group paid its final dividend for the year to 30 September 2016 in February 2017 and the interim dividend in July 2017 at rates of 1.8p and 1.2p per share respectively, amounting to £4.5 million in total.

Consolidated balance sheet

Overview

	30 September 2017			30 September 2016		
	Group £m	Joint venture and associates £m	Total £m	Group £m	Joint venture and associates £m	Total £m
Investment properties	**79.1**	—	**79.1**	128.9	—	128.9
Investment property held for sale	**20.7**	—	**20.7**	—	—	—
Trading properties	**289.7**	—	**289.7**	185.2	—	185.2
Joint venture properties[1]	—	**77.1**	**77.1**	—	51.0	51.0
Properties within PPE	**4.1**	—	**4.1**	4.5	—	4.5
Properties[2]	**393.6**	**77.1**	**470.7**	318.6	51.0	369.6
Investment in joint ventures and associate	**76.8**	**(76.8)**	—	51.0	(51.0)	—
Trade and other receivables						
Non-current – licence minimums[2]	**16.9**	—	**16.9**	—	—	—
Current – property related[2]	**1.9**	—	**1.9**	—	—	—
Current – other	**13.5**	—	**13.5**	60.5	—	60.5
	32.3	—	**32.3**	60.5	—	60.5
Cash	**12.2**	**1.0**	**13.2**	15.1	0.2	15.3
Borrowings	**(93.9)**	**(13.1)**	**(107.0)**	(49.6)	(4.4)	(54.0)
Deferred tax liability	**(1.4)**	—	**(1.4)**	(0.3)	—	(0.3)
Other working capital	**(47.7)**	**11.8**	**(35.9)**	(29.0)	4.2	(24.8)
Net assets	**371.9**	—	**371.9**	366.3	—	366.3
EPRA adjustments – property related[2]	**55.0**	**6.8**	**61.8**	38.0	—	38.0
EPRA adjustments – deferred tax	**5.6**	—	**5.6**	5.5	—	5.5
EPRA net assets	**432.5**	**6.8**	**439.3**	409.8	—	409.8

1. All properties held by joint ventures are trading properties.
2. Total property related interests: £551.3 million (2016: £407.6 million).

Non-current assets

Investment properties and investment properties held for sale

As a result of the reclassification of a proportion of the Group's property interests at Waterbeach from trading stock to investment properties and a reclassification of the remaining Alconbury residential plots in the other direction (there is no longer the intention to develop and hold those homes for income) investment properties at 30 September 2017 amounted to £99.8 million comprising Bradford and Feethams leisure assets (£36.5 million) as well as the commercial development area at Alconbury (£60.3 million) and a proportion of the Waterbeach site (£3.0 million), which could deliver both commercial buildings and residential properties for rent in due course.

As previously highlighted, CBRE valued the entire Alconbury site at £235.5 million which, after adding back the incurred cost of building houses under the Hopkins Homes joint venture arrangements, specifically excluded by CBRE the total Alconbury site value increased to £244.6 million. Of this total, the Group intends to retain £60.3 million as a long-term investment.

The leisure asset at Bradford was also valued by CBRE at the year end, whereas Feethams was held at Directors' valuation, following its post-year-end disposal. This subsequent sale is also the reason why Feethams has been classified as an investment property for sale in the balance sheet.

Consolidated balance sheet continued

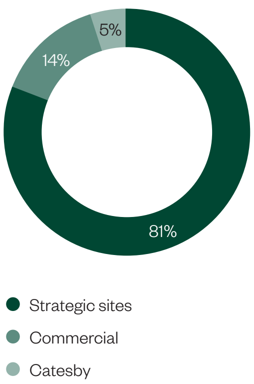
Non-current assets continued

Investment properties and investment properties held for sale continued

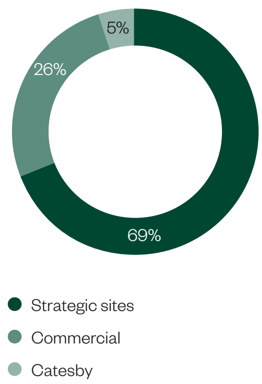
The Group's total year-end property portfolio, irrespective of balance sheet classification, was valued at £551.3 million, 76 per cent by independent valuers CBRE and 24 per cent by Directors. Around a half of those properties valued by Directors were supported by post-year-end disposals.

The pie charts below provide an overview of EPRA NAV by business segment over the last two years, as well as the post year-end position that takes into account the sale of the Stansted Hotel and Feethams, together with the acquisition of the strategic site in Priors Hall.

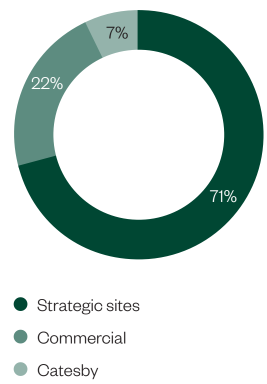
Post year-end



At 30 September 2017



At 30 September 2016



Investment in equity accounted joint ventures and associates

The Group's 50 per cent interest in the Rugby site has been included in the balance sheet at £59.8 million.

As a result of the decision in the last financial year to reclassify the site as a trading property from investment property, the £6.8 million revaluation has not been taken through the income statement as was the case in prior periods, but has instead been recognised through EPRA NAV. The market movement reflects increases in sales value assumptions and consequently serviced land values as well as the completion of the Crest Nicholson and Morris Homes contracts, which de-risk early land parcel revenue receipts. The sales launch by Davidsons in April this year and subsequent reservations and exchanges are supportive of CBRE's pricing assumptions.

Other interests in joint ventures and associates total £17.0 million, up £13.7 million from last year, predominantly as a result of acquiring a one-third partnership stake in a 400-acre (162.3-hectare) site at Wintringham Park, St Neots, Cambridgeshire, for £13.3 million. An application has now been submitted for up to 2,800 residential units, 63,500 sq.m. of employment space, a district centre with ancillary uses and two primary schools. Further details are provided in note 13 to the Group financial statements.

Deferred tax assets

The Group has recognised an asset of £4.2 million in respect of the Group's tax losses which are expected to be utilised against future profits of the Group. The £0.9 million reduction from last year end reflects utilisation of the losses brought forward against the Group's profitable activities during the year.

Non-current trade and other receivables

The £16.9 million disclosed on the face of the balance sheet represents the discounted value of the Morris Homes and Redrow contractual minimums at Alconbury. Equivalent receivables are owed to the Rugby joint venture by Crest Nicholson (£5.4 million) and again Morris Homes (£5.5 million). All sums due will be received as and when the houses to which they relate are sold.

Current assets

Trading properties

The carrying value of trading properties increased by £104.5 million in the year to £289.7 million, as a result of the £1.5 million acquisition of a land parcel in Skelton, construction expenditure at Stansted (£19.8 million), development expenditure at the strategic land sites totalling £50.2 million, £7.4 million of Catesby promotion expenditure and £14.2 million of other property expenditure. Against this £93.1 million of acquisitions and additions, the Group has disposed of £30.3 million of trading assets (including 52 homes at Alconbury and three Catesby sites); written back £1.4 million of previous provisions (see above); and reclassified a net £40.3 million from investment properties (£43.3 million in respect of Alconbury residential and £3.0 million in relation to Waterbeach).

Included within the figures mentioned above is £4.5 million of capitalised overheads. All trading properties are carried in the balance sheet at the lower of cost (or acquisition date fair value) and net realisable value.

Cash

Group cash balances were £12.2 million at the year end, down from £15.1 million at 30 September 2016. The £2.9 million decrease reflects an intensive period of construction activity, particularly in relation to our strategic land sites and hotel development at Stansted. Property additions, including our share of joint ventures, amounted to £120.3 million in the year and were part funded by £70.8 million of new borrowings, £21.7 million of net receipts on the sale of Herne Bay and other working capital movements.

Liabilities

Current and non-current borrowings

The Group has drawn three new loans in the year totalling £62.1 million and repaid £16.1 million following sale completion of the Sainsbury's foodstore, Herne Bay, which was recognised in the 2016 accounts on unconditional exchange. These new drawings included £21.4 million from the new £45.1 million HCA facility at Alconbury, £17.2 million in respect of the Stansted Hotel development and £23.5 million under the £40.0 million revolving credit facility. The latter facility requires full pay down for a set period in each financial year and has therefore been classified as due within one year in this year's balance sheet. Following the post year-end sale of Stansted, this facility was paid down and requires no further repayments until maturity in June 2019.

Further drawings during the year of £17.3 million (Group's share £8.7 million) were made from the HCA facility within the Rugby joint venture.

Financial resources and capital management

The Group's net debt position at 30 September 2017 totalled £81.7 million (30 September 2016: £34.5 million), comprising external borrowings of £93.9 million and cash reserves of £12.2 million, producing a net gearing ratio of 22.0 per cent (30 September 2016: 9.4 per cent) on an IFRS NAV basis and 18.6 per cent (30 September 2016: 8.4 per cent) on an EPRA NAV basis.

On a full look-through basis, which additionally includes the Group's share of joint ventures' net debt, gearing on an EPRA basis increases to 21.3 per cent. I previously stated that gearing measures would rise with increased development at our strategic land sites, especially ahead of reaching project peak capital requirement; however, it remains well within our self-imposed limit of 30 per cent and if you factor in the post balance sheet sale of Stansted and Feethams, and the acquisition of a 5,000+ unit site at Priors Hall, this measure falls back to 15.2 per cent. Of the £120 million of debt drawn at the year end, on a look-through basis, £58.9 million relates to HCA facilities. This proportion increases as a result of the post balance sheet disposals and acquisition.

The Group will continue to fund new developments or acquisitions through debt as required; however, we remain committed not to borrow from commercial banks in respect of infrastructure spend at our strategic sites. The Group will, however, continue to seek to borrow from Government sources, such as the HCA, where such borrowing enhances the speed with which such sites can be brought forward and where the terms can be expected to enhance our returns.

Undrawn facilities at 30 September 2017 totalled £41.0 million (£50.4 million including joint venture facilities).

The Group's weighted average loan maturity at 30 September 2017 was 5.3 years (30 September 2016: 5.6 years) and weighted average cost of borrowing on drawn debt was 2.9 per cent (30 September 2016: 3.0 per cent). The Group has no loans maturing over the next three years, with the exception of the £40 million revolving credit facility (RCF), which matures in June 2019, and a £6 million amortising investment facility in respect of our Bradford leisure asset.

The Group maintains a comprehensive business plan model which forecasts the cash usage and generation on a project-by-project and consolidated basis for five years, or longer in relation to our strategic land sites. This model is regularly updated and informs the Group as to its cash needs, allowing us to plan ahead. Further information on how the Group assesses long-term viability can found on page 32.

Post balance sheet events

Although I have already detailed the effect of post balance sheet events on the year-end valuations and gearing above, I would direct you to note 27 to the Group financial statements for further details on the October acquisition of Priors Hall and the Stansted Hotel disposal, as well as the November disposal of Feethams, Darlington.

David Wood
Group Finance Director
27 November 2017

Long-term viability statement

In accordance with provision C.2.2. of the UK Corporate Code 2016, the Directors have assessed the prospects and financial viability of the Group, taking into account both its current position and circumstances, and having made reasonable assumptions about its future trading performance and the potential impact of its principal risks set out in the risk review on pages 33 to 37.

The Directors' detailed viability assessment was made in respect of a five-year period ending 30 September 2022, although where the duration of a particular development project extended beyond five years, the lifetime business plan for that development was reviewed to ensure commitments beyond five years did not impact ongoing viability.

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

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

Assessing viability

The Directors assess ongoing viability principally through:

- five-year business plans, which are presented periodically at Board meetings and detail quarterly and annual cash flows (including dividends), balance sheets, income statements for each business segment or material asset, as well as financial covenant compliance for the period under review;
- sensitivity analysis of key assumptions and/or principal risks embedded within the five-year business plans;
- scenario modelling, which is overlaid on the five-year business plans and typically comprises investment and divestment opportunities;
- annual strategy days, which are used by the Board to agree priorities and budgets, which are then owned and monitored by relevant senior employees. Material changes to budgets require further Board approval and only then will the five-year business plan be updated; and
- reviewing unutilised facilities and borrowing capacity over the period under review.

Qualifications and assumptions

In making their assessment on viability the Directors stress tested the Group's models for a number of identified risks and uncertainties, which were chosen to reflect the significant uncertainty surrounding the UK's future economic prospects, especially in light of triggering Article 50 and current cyclical positioning of the housing market.

Specific scenarios modelled included delays in projected sales and sales rates (taking into account contractual minimum receipts already in place), decreases in property values and variations in discretionary expenditure that could mitigate downside revenue assumptions.

No key metrics were breached with the corporate gearing remaining below 30 per cent throughout the forecast period.

Based on the assessment detailed above, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operation and meet its liabilities as they fall due for the next five years and that it is appropriate to continue to prepare financial statements on a going concern basis, as discussed in the Directors' report on page 123.

This long-term viability statement was approved by the Board on 27 November 2017.

David Wood
Finance Director

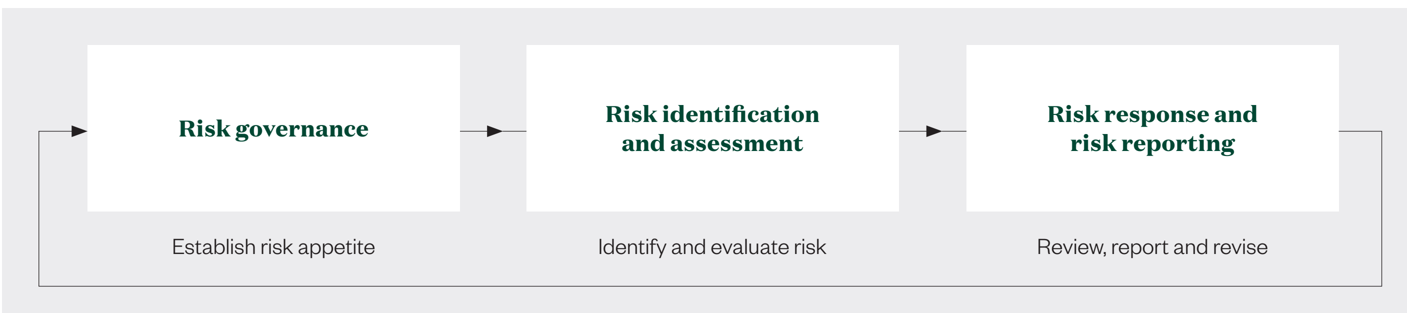
A top down, bottom up approach to risk management

Overview

Urban&Civic seeks to deliver on its strategic objectives of generating market-leading returns for shareholders, whilst recognising that it operates in a sector that is subject to market volatility and where risks are ever present. In order to balance these risks and rewards, the Group employs a risk management framework, which:

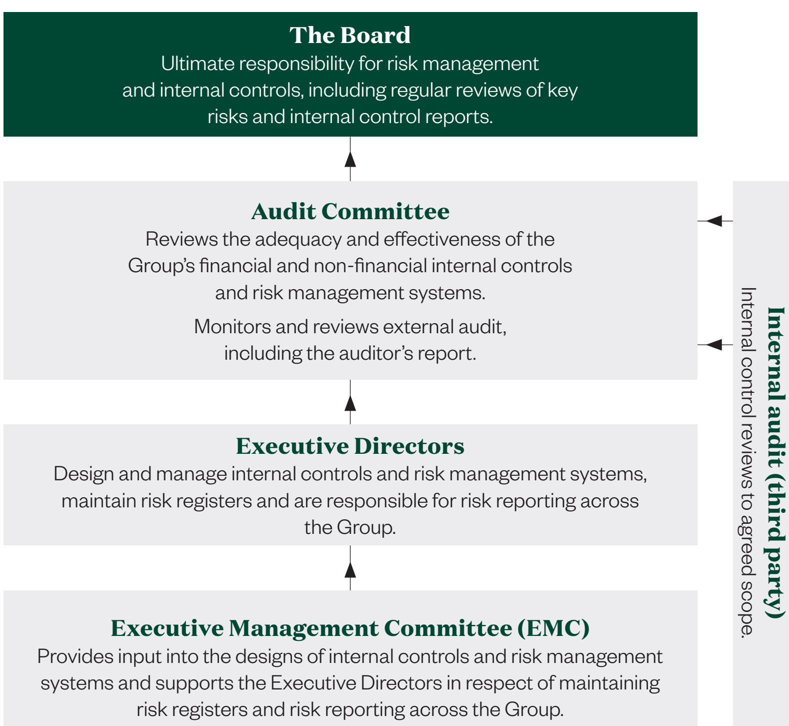
- establishes a risk envelope within which it is prepared to operate (a risk appetite);
- identifies and evaluates relevant risks applicable to the Group's strategy and operations (including project delivery);
- designs, implements and seeks assurance over the effectiveness of mitigating actions; and
- manages those identified risks on an ongoing basis, including assessment of net risk (after mitigation) against risk appetite.

Risk management framework



Risk management structure

The Board has ultimate responsibility for risk management and internal controls and monitors both regularly.



Part of the Audit Committee's role is to ensure that the Group's risk management framework and processes on which the Board relies are working effectively.

The work undertaken by the Audit Committee in relation to risk and internal controls and its anticipated 2017/18 work programme are further set out in the Audit Committee report on pages 98 to 103; however, a key improvement made by the Audit Committee this year, and one worth highlighting, is the appointment of Grant Thornton to provide internal audit services to the Group and to report and provide assurance on the adequacy of the financial and non-financial controls.

A further framework development during the year, which has formalised and reinforced the Group's bottom up approach to risk management, was the establishment of an Executive Management Committee (EMC), whose responsibilities include:

- input into the design of internal controls and risk management systems;
- maintenance of project-level risk registers; and
- reporting material risk events or changes to the Group's risk environment upwards to the Board, outside the formal bi-monthly EMC meetings if necessary.

Further details of the scope and structure of the EMC have been set out in the corporate governance review on pages 81 and 82.

Risk culture and management

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

In order to promote an alert and responsive risk culture and efficient reporting, the Board seeks to:

- provide an open door policy to all employees, which aids early identification and resolution of issues;
- put in place clear reporting lines and delegated authorities;
- provide formal and informal opportunities for intra-group debate and communication;
- avoid shocks to the control framework, by evolving systems at manageable rates and focusing on maintaining a stable senior management team;
- design robust and regular reporting systems, operational and financial as well as risk;
- provide appropriate training;
- identify and communicate the process for risk event acceleration outside the formal regular procedures; and
- ensure employees understand and believe the Group's whistleblowing policy.

Risk management framework components

The principal components of the Group's risk management framework comprise the risk appetite table (see below), risk registers, risk heat map and associated scoring matrices.

To monitor the Group's risk profile at a point in time, the Board uses internal resources (such as the EMC and discussions with senior management) to help identify the Group's key risks, assess the likelihood of that risk arising and estimate its potential impact on operations. Each key risk is summarised into a risk register, discussed and consequently scored against set criteria.

The Board, in conjunction with the EMC and taking into account any recommendations proposed by the third party internal auditor, Grant Thornton, designs internal action points and controls to help mitigate the identified key risks, resulting in a mitigated risk rating, which is referenced against the traffic light system set out on page 35. The addition in the year of both Grant Thornton and the EMC has provided additional assurance over the effectiveness of the Group's identified mitigating actions.

The risk appetite and mitigated risk score are visually presented in a risk heat map, which allows the Board to reflect on whether the controls and any mitigating actions are deemed adequate. In the event that they are deemed inadequate, the Board will seek an alternative course of action and/or formulate additional controls, with the assistance of the EMC, to mitigate risk to acceptable levels (back to within appetite).

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
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's strategy is enshrined in its investment decisions and investment thresholds and structures.
Operations	Low	The Board seeks to deliver developments effectively, complying with all legislation and avoiding actions that could adversely impact performance or reputation.
Finance	Low	The Group will seek to put in place non or limited recourse funding lines, with non-onerous covenants (on a flexed basis) and will not seek to borrow against land (with the exception of infrastructure loans provided by the Homes and Communities Agency).
People	Low	The Group cannot function without a motivated and well-trained workforce and aims to recruit and retain high calibre staff, and to train and promote staff where appropriate.

Traffic light key

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

Risk heat map key

Increase in risk rating

No change in risk rating

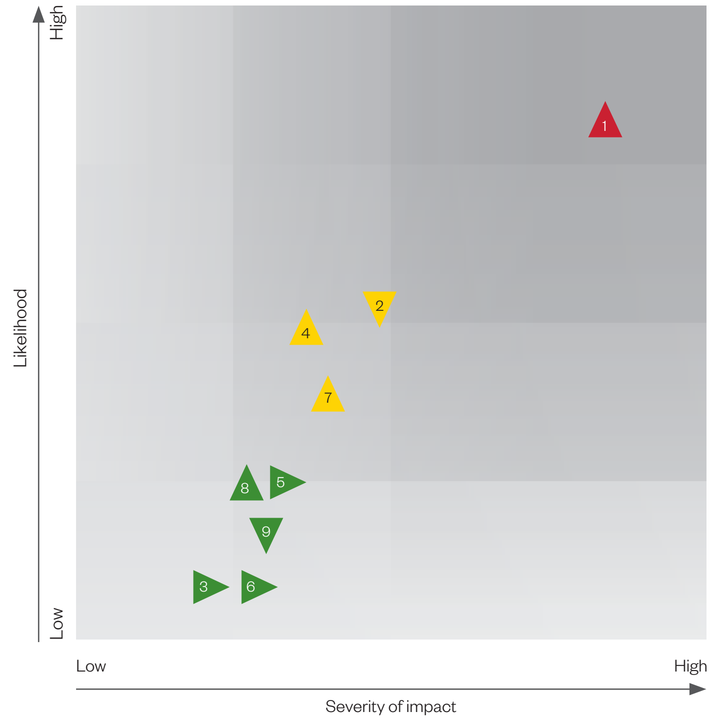
Decrease in risk rating

Number references correspond to the key risks set out on pages 35 to 37.

Key

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

Risk heat map



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

Impact of risk	Controls and mitigation/action	Movement description	Risk rating after mitigation
R1. Market risk – External environment			
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 changes in tax policy or a change in government. Adverse changes in market conditions and the economic environment increase the risk of a decline in shareholder returns.	• Strategy is considered at each Board meeting and specifically at the annual business strategy meeting. • Consideration when making decisions is given to external markets, dynamics and influences. • Press, industry forums and adviser updates are used to keep executives up to date in respect of external markets. • Regional focus and local knowledge in areas with strong underlying economics (such as job creation) mitigate the impact of market and economic shocks. • Increased focus on putting in place sales contracts with contractual annual minimums in respect of the Group's most prominent segment: strategic sites. • Prior to investment, detailed due diligence and financial appraisals are rigorously carried out and flexed to establish the financial outcome on a downside-case basis. • Business plan and rolling long-term cash flow forecasts with detailed sensitivity analysis. • Ongoing monitoring with the assistance, when required, of appropriate professional advisers (tax, accounting, regulatory and company law).	• The triggering of Article 50 and ongoing Brexit negotiations could result in trading arrangements with the European Union that are damaging to the UK economy, increasing market risk correspondingly. Clarity may not be achieved in the forthcoming year.	

Impact of risk	Controls and mitigation/action	Movement description	Risk rating after mitigation
R2. Strategic risk – Operational strategy		▼	
Implementing a strategy inconsistent with market environment, skillset and experience of the business could devalue the Group's property portfolio, have an adverse impact on the Group's cash flows and consequently erode total shareholder return.	• Board meetings are held at two-monthly intervals to review progress against objectives and, where necessary, to update strategy. • The Group annually approves a business plan and produces rolling longer term cash flow forecasts with detailed sensitivity analysis. These are reviewed against the Group's KPIs and revised where necessary. • For assets under development, budgets are prepared and approved by the Board, costs are monitored by the Board and remedial actions are identified and approved where necessary. • Material capital commitments, which have not previously been approved in the Group business plan, require additional Board approval. • EMC oversight of project monitoring, risk reporting and communication throughout the corporate structure.	• Improved governance, through the new EMC and enhanced financial reporting to the Board, has uprated project monitoring, risk reporting and communication throughout the corporate structure. • Third party internal auditor appointment, together with completed reviews of the Group's risk management framework, procure to pay procedures and management and development of projects, has provided additional assurance.	
R3. Legal and regulatory risk – Operational strategy		▶	
Non-compliance with laws and regulations could result in project delays, failure to obtain planning consents, financial penalties and reputational damage.	• The Group employs highly qualified and experienced staff and retains specialist consultants, where appropriate, to ensure compliance with laws and regulations.	• Despite increased regulation over a number of operational areas and events such as the Grenfell Tower disaster in the year, no change to the legal and regulatory risk rating has been made as the Board is satisfied that the impact of an event remains unaltered and controls in place remain effective.	
R4. Competition risk – Operational strategy		▲	
Competition in the market could result in assets being acquired at excessive prices, potential assets not being acquired because pricing is too high or developments commencing at the wrong point in the cycle.	• Use of experience and expertise in determining suitable offer prices and optimal project timings to maximise returns. • Assessment of the threats of competition before acquiring assets.	• Our competitors continue to benefit from strong cash generation and capital availability, particularly in strategic land and land promotion sectors.	
R5. Financial risk – Finance		▶	
Lack of funding, cost overruns or failure to adhere to loan covenants could result in financial loss or affect the ability to take advantage of opportunities as they arise.	• Detailed annual business plan prepared, approved and regularly monitored by the Board. • Continuous monitoring of capital and debt markets (with advisers). • Maintenance of good relationships with lenders. • Review of principal terms of prospective loans and ongoing monitoring of covenants/requirements to ensure compliance.	• Improved management reporting and increased human resources have reduced monitoring risk. • Contractual minimums with housebuilders at the Group's strategic land sites have improved certainty over short-term cash receipts (subject to ongoing viability of the counterparty housebuilder). • Reduced cash reserves, following the ongoing deployment of the 2014 capital raise funds, have increased financial risk when compared to last year. • Strategic land sites passing or fast approaching peak equity reduces ongoing financial risk. • On balance the Board believes the Group's financial risk remains unchanged.	

Impact of risk	Controls and mitigation/action	Movement description	Risk rating after mitigation
R6. Delivery risk – Operations			
Ineffective delivery of projects could lead to delays, reduced build quality and cost pressures.	• Projects are monitored on an ongoing basis by the Board. • Internal development and project management teams manage project delivery. • Fixed price contracts are used where appropriate. • Third party internal audit review of project delivery mechanisms.	• Despite the improvement in formal governance set out above, the Group's fundamental approach to delivery remains unchanged.	
R7. Health and safety risk – Operations			
Serious injury and loss of life. Developments may be adversely impacted by site closure, delays and cost overrun. Damage to reputation. Directors' liability.	• Health and safety procedures are reviewed, including the appointment of principal contractor and planning co-ordinator (to ensure compliance with the Construction (Design and Management) Regulations or as amended). • Strict adherence to health and safety procedures at operational sites and Group offices. • Due diligence carried out (including appropriate references) on principal contractor and design consultants prior to appointment. • Appropriate insurance cover is carried by either the Group or its contractors.	• Increased risk rating due to increased scale of development. Training and new committees being undertaken and formed should reduce this risk back to historic levels going forward.	
R8. Cyber risk – Operations			
Loss of business credibility due to lack of timely, accurate information. Cost of reinstatement. Cost and reputational damage of breaches of data protection regulations.	• Password protocols and protections. • Physical access to premises and computer servers restricted. • Firewalls and anti-virus software with regular updates. • Computer data backup and recovery procedures and periodic testing. • Hardware replacement programme to reduce vulnerability. • Administration rights restrictions.	• Outdated hardware, including firewalls and servers, replaced. • New data recovery procedures implemented and tested during the year. • Periodic review meetings held with external IT support providers. • Weekly reports on IT performance received. • Third party internal audit of IT systems and procedures scheduled for Q1 2018.	
R9. People risk – People			
Over-reliance on key people or inability to attract and retain people with appropriate qualities and skills, making the Group operationally vulnerable in terms of both time delays and replacement cost.	• The Group offers a competitive remuneration package including both long and short-term incentives. • Remuneration Committee to review the remuneration policy and long-term incentives for staff (below Board level) in 2018. • Employees generally work on a number of projects across the Group and are not dedicated to one particular site. • Short reporting lines and delegated authority ensure staff feel they are contributing to the success of the Group. • The Nomination Committee reviews succession planning. • Appropriate notice periods to minimise disruption.	• More robust succession plans have been put in place during the year. • Formation of EMC devolves and spreads responsibilities more widely. • Greater formal and informal staff engagement has occurred during the year.	

p8 Strategic priorities pages 8 and 9

OPERATIONAL REVIEW

STRATEGIC LAND

Aerial photo of Key Phase 1 and 2 of RadioStation Rugby

STRATEGIC SITES

At the core of our business are the strategic sites where, as Master Developer, we are currently bringing forward 5,370 acres of land predominantly within 100 miles of London through our fully serviced land parcel model.

With the addition this year of Wintringham and Priors Hall, our strategic sites will deliver around 29,470 new homes, more than 7 million sq.ft. of business space, at least 14 primary schools and six secondary schools.

We work with our land owning partners, local authorities, communities and businesses, as well as the Homes and Communities Agency and our housebuilder and commercial customers, to use all the levers available to accelerate the delivery of homes, spaces, places and communities of real quality.

We actively encourage the small and medium-sized housebuilding market by reducing the barriers to delivery through licence structures which reduces upfront payments and allows us to share in the retail sales price achieved.

We define ourselves through our projects and maintain an absolute focus on quality from the first tree to the last roof tile and beyond.

Civic Living

Civic Living is our own brand housebuilding business which will:

- only bring forward parcels of land on our strategic sites;
- once established, aim to build and sell over 200 homes a year across our portfolio; and
- avoid competing with our housebuilder customers by delivering a differentiated product on more complicated plots.

We will always offer our best land parcels to our customers but, as a Master Developer, we view Civic Living as yet a further lever by which we can meet national and local government ambitions to increase the delivery of homes from our strategic sites.

We have consent for 138 Civic Living homes at Alconbury Weald and will be applying for planning approval at Rugby and Newark in 2018. Delivery is anticipated to commence during early 2018.

Alconbury Weald

IN DELIVERY

1,425 acres

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

631 serviced land plots contracted or on own account

HOPKINS HOMES · MORRIS · REDROW · Civic Living

RadioStation Rugby

IN DELIVERY

1,170 acres

6,200 homes consented

725 serviced land plots contracted or on own account

DAVIDSONS HOMES · MORRIS · Crest NICHOLSON · Civic Living

Newark

IN DELIVERY

694 acres

3,150 homes consented

327 serviced land plots contracted or on own account

AVANT homes · Bellway · Civic Living

Priors Hall

Northamptonshire

IN DELIVERY

965
acres

4,320
homes consented

664
serviced land plots contracted or on own account

Waterbeach Barracks

IN PLANNING

716
acres

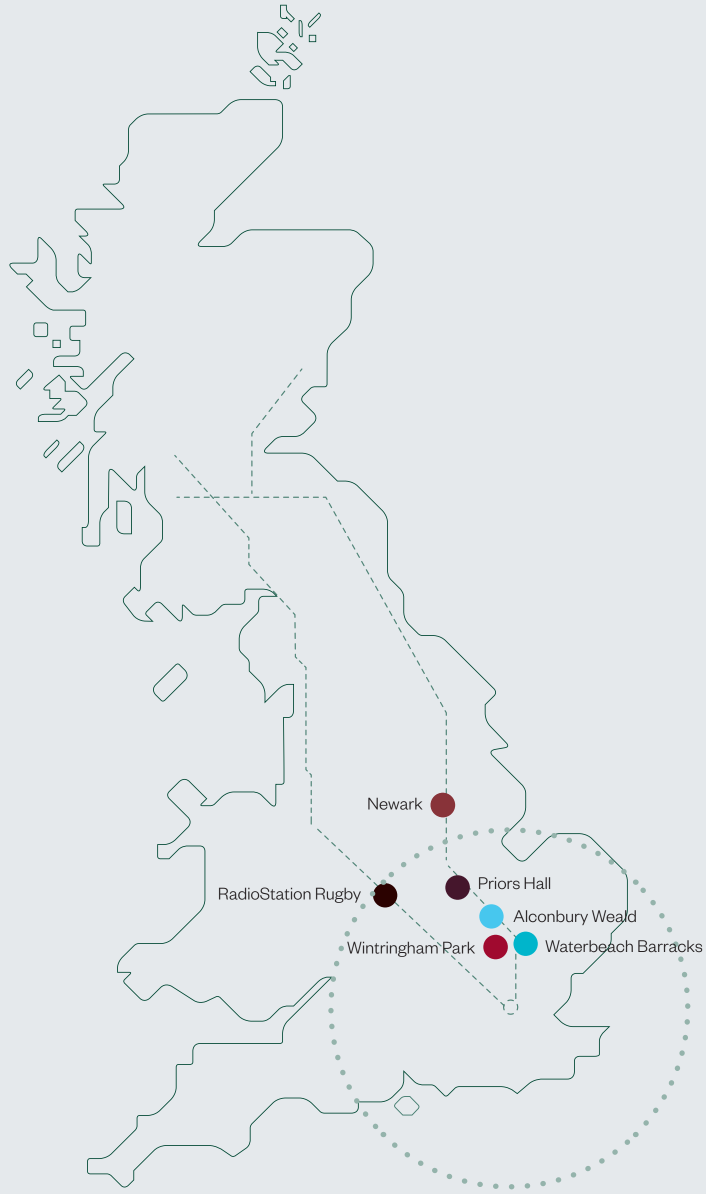
6,500
homes anticipated

Wintringham
St Neots

IN PLANNING

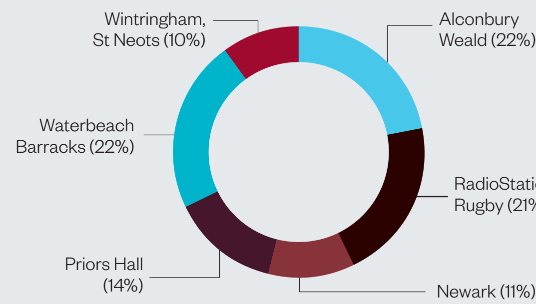
400
acres

2,800
homes anticipated



Consented and anticipated homes:

29,470



East and West Coast main lines

100-mile radius from London

Alconbury Weald

Status
In delivery

Ownership
100 per cent

PROGRESS THIS YEAR

Land:

- 5 per cent increase in land value from 2016 to £244.6 million.

Residential:

- 631 plots now contracted between four housebuilders.
- 100 homes sold/reserved.
- 57 homes occupied.

Community:

- Ermine Street Church Academy celebrated its first full year and its official opening by the Bishop of Ely.
- Swynford stores opened to support both new residents, local neighbours and our enterprise zone tenants.

Commercial:

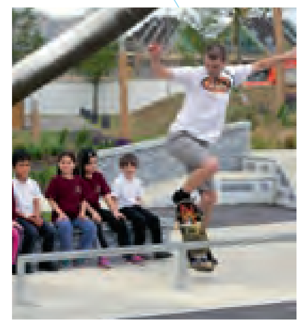
- MMUK commercial building completed with MMUK using the jobs brokerage EDGE to recruit local people.
- IKO and John Adams Leisure commercial buildings materially advanced, marking 850,000 sq.ft. with detailed planning consent within the EZ.
- £10 million Skills Centre iMET under construction.

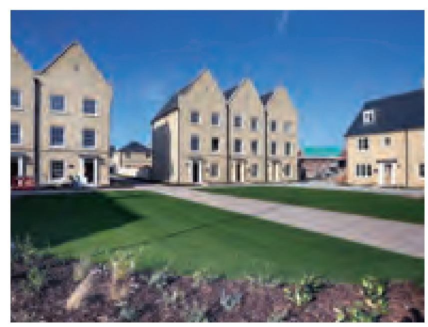
Team and funding:

- Expansion of the Urban&Civic team to include community development expertise.
- Agreements completed with the Homes and Communities Agency for £45 million of infrastructure funding with £21 million already drawn.

FUTURE MILESTONES

- Deals agreed with two housebuilders on the next parcels to deliver 365 homes.
- First sales and occupations for Civic Living at Alconbury Weald.
- £1 million investment in traffic calming along Ermine Street to deliver our commitment to the Stukeleys to minimise traffic through the villages.
- Refurbishment of the listed Second World War Watch Office to create new offices for our charity partners Groundwork East and to provide community facilities, including a library.
- Completion of IKO and John Adams buildings, with operations starting from April 2018.
- Completion of the new Incubator office building with first occupations from summer 2018.
- Completion of iMET, which will deliver high level apprenticeships across engineering, manufacturing and leadership and management, alongside bespoke courses for companies on site and across the local area. First courses for businesses starting in summer 2018 and the first apprenticeship intake in September 2018.
- Further delivery within the enterprise zone including additional space in the office zone and mid-tech cluster.



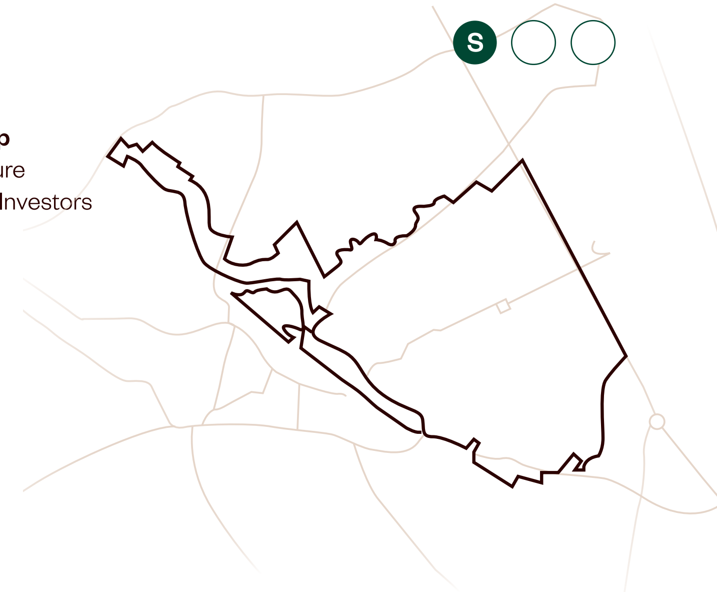


www.alconbury-weald.co.uk

RadioStation
Rugby

Status
In delivery

Ownership
Joint venture
with Aviva Investors
50/50



PROGRESS THIS YEAR

Land:

- 11 per cent increase in land value from 2016 to £66.8 million.

Residential:

- 725 plots now contracted between three housebuilders or own account.
- Six houses reserved and nine contracts exchanged.
- Three houses fully complete with first residents moving in during December 2017.
- Over 120 foundations installed and 35 houses materially advanced.
- Site-wide and housebuilder marketing achieving strong market penetration.

Infrastructure:

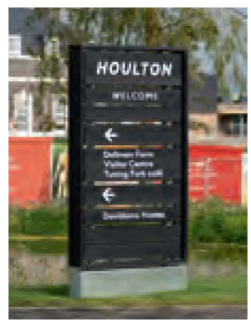
- Utilities and infrastructure completed on Key Phase 1 and 2, to service over 900 plots.
- Galliford Try appointed to deliver a 1.5-mile portion of the link road, connecting the edge of Key Phase 3 with the northernmost extremity of the site, joining the existing highway network at Butlers Leap – the closest point to Rugby town centre and railway station.

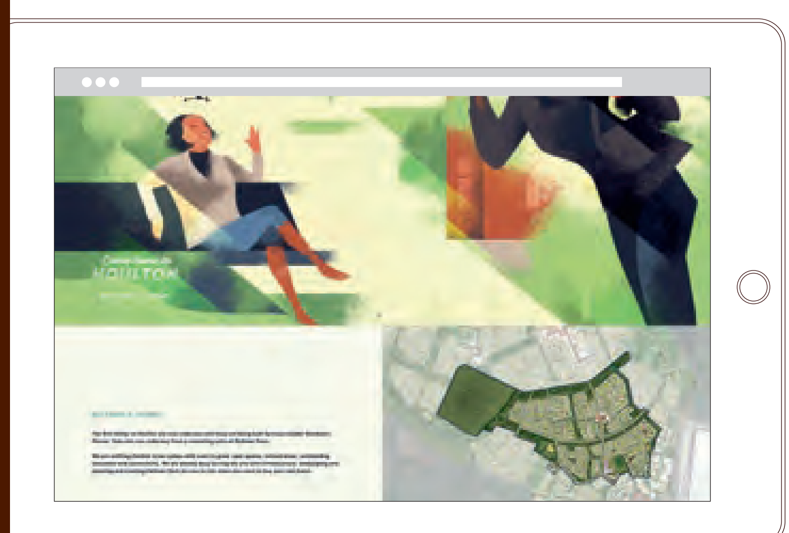
Community:

- First primary school – St Gabriel's Church of England Academy – completed. Head Teacher appointed by the Trust (a joint enterprise between The Diocese of Coventry and Urban&Civic) and first pupil registrations for the September 2018 opening received.
- The restoration of the former Dollman farmhouse and cattle shed completed alongside additional new construction to create an intimate campus of buildings forming a stylish community focal point. The area comprises: a public Visitor Centre, the U&C Project Office, a multi-use community facility – The Barn – alongside The Tuning Fork Café.
- Agreement with stakeholders on early delivery of the secondary school with established local provider under consideration.

FUTURE MILESTONES

- Fourth housebuilder to be contracted for 250 units on the link road enabled entrance to Key Phase 3. Housebuilding to commence in this location by the end of 2018.
- Commencement of Civic Living delivery in Key Phase 2.
- Completion of the strategic sewer and associated landscaping to serve Key Phase 3 and the wider site.
- Completion of the link road through the site.
- St Gabriel's Church of England Academy opens September 2018.





www.houltonrugby.co.uk

Newark

Status
In delivery

Ownership
c.82 per cent interest in the site

PROGRESS THIS YEAR

Land:

- Land value of £43.6 million up from £36.1 million in 2016.

Residential:

- 327 plots now contracted between two housebuilders or own account.
- Avant Homes – secured reserved matters approval for 173 homes and started on site.
- Avant has taken eight reservations.
- Bellway reserved matters approval for 64 homes secured November.

Infrastructure:

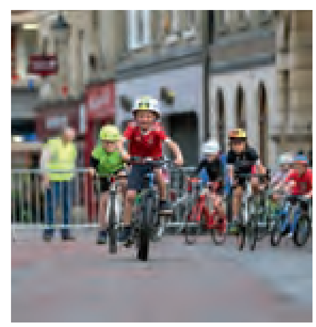
- The first phase of the southern link road and associated off-site infrastructure has been completed and opened, providing access for up to 600 houses.
- Detailed design and technical approvals secured from Highways England and the County Council for the remainder of the link road.

Community:

- Middlebeck now established as the site-wide brand for the development via website, sponsorship and local awareness campaign.
- Engagement with stakeholders commenced on co-location of the two primary schools.

FUTURE MILESTONES

- Servicing of all 600 housing parcels and landscaping to be completed.
- Bellway to start on site spring 2018.
- Further housebuilder to be contracted for Key Phase 1.
- Commencement of Civic Living delivery.
- On-site project office to be constructed and opened in the heart of Key Phase 1.

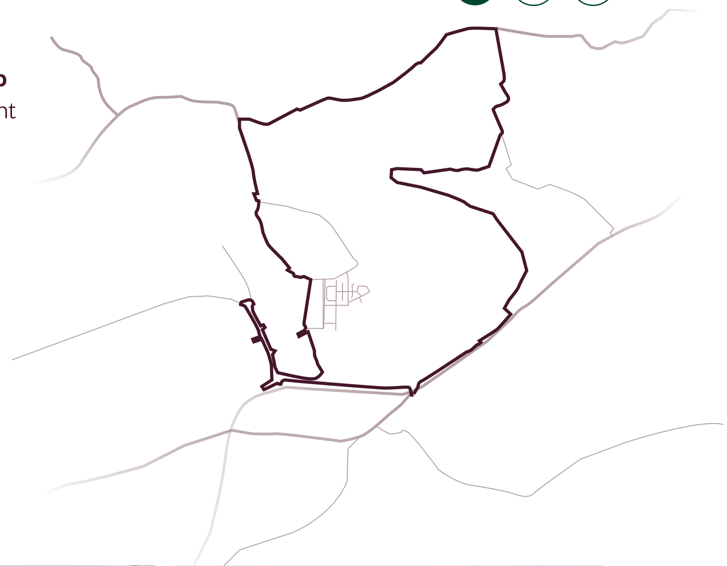


www.middlebecknewark.com

Priors Hall
Northamptonshire

Status
In delivery

Ownership
100 per cent



PROGRESS THIS YEAR

Land:

- Acquisition of the strategic site together with neighbouring woodland totalling 965 acres from the joint administrator for £40.5 million.
- Part funding for the purchase together with additional facilities to cover future forecast infrastructure spend totalling an aggregate £45.4 million, excluding accrued interest, provided by the Homes and Communities Agency.

Residential:

- Introductory meetings with residents, stakeholders and the site's existing housebuilders.
- Early discussions with future housebuilding customers to bring forward the remaining uncontracted parcels within Zone 1 and the district centre.

Management:

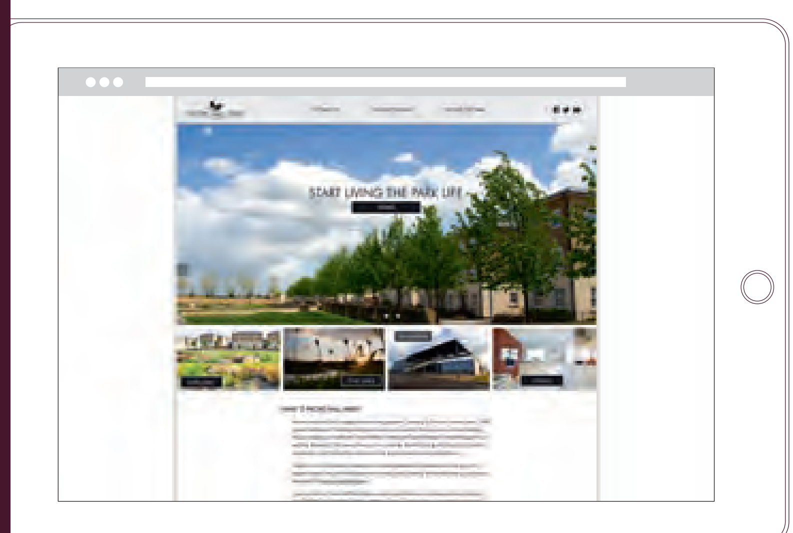
- Relocation of the existing management company from an off-site location onto the site to be closer to existing residents.

Community:

- Redesign of district centre plus early discussions with potential occupiers. Ongoing discussions with new and existing housebuilders on next parcels.
- Master Developer review of Zone 1 placemaking to deliver Urban&Civic standard.

FUTURE MILESTONES

- Agree section 106 variations with both Corby Borough Council and East Northamptonshire Council.
- Finalise updated planning strategies for remainder of site, including proposals for revision to overall master plan.
- Develop Master Developer standard Design Guides for all Zones to ensure design quality for future phases.
- Carry out enabling works on Zones 2 and 3 to open up areas for development.
- Apply for and commence Master Developer green/grey infrastructure for Zone 2 and 3.
- Identify and contract with housebuilders for gateway parcels to Zones 2 and 3 to set quality and pricing levels for future delivery.
- Engage with affordable housing providers for early delivery of units.
- Bring forward the delivery of the district centre.



www.priorshallpark.com

Waterbeach Barracks

PROGRESS THIS YEAR

Planning:

- Outline planning application for 6,500 homes submitted and registered within 24 hours.
- Representations made to thematic and site-specific sessions of the Local Plan examination.
- Planning Application Guide developed for local residents setting out the application and planning process moving forward and distributed widely.
- Ongoing work across the Barracks and neighbouring land to inform the Supplementary Planning Document and bring forward phased infrastructure.
- Discussions with local and specialist cycling groups to develop a strong cycling vision for the site and a culture of cycling from the start.
- Continued progress on the Cambridge to Ely Growth Corridor study to inform the infrastructure investment planned for rail, road, bus and cycle connections.

Delivery:

- Agreement with Papworth Hospital to relocate the residential accommodation for their clinical teams into two refurbished Barracks blocks on site as part of their move to a new hospital in Cambridge. Commencement of the refurbishment of the blocks.

Community:

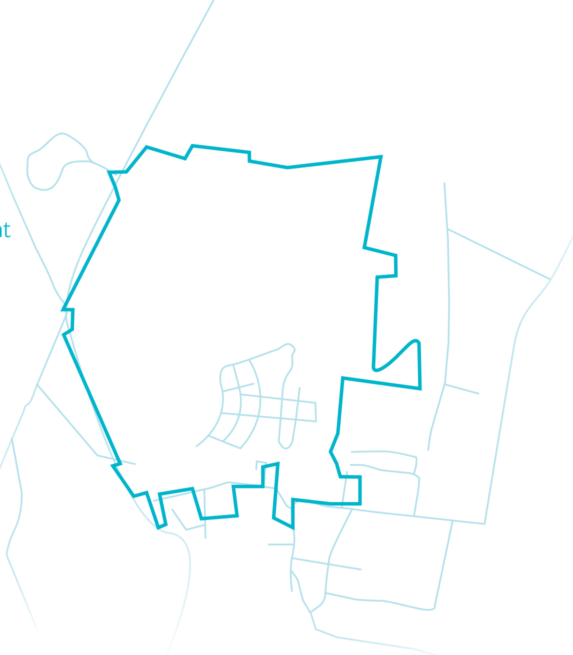
- Continued use of the Barracks to host regular sports and community groups, including brass band practice, football practice and a number of events.
- Official opening of the Waterbeach Military Heritage Museum by Air Vice Marshall Richard Knighton CBE in a combined event with the 514 Squadron Reunion, including four Second World War veterans.

FUTURE MILESTONES

- Inspectors report on Local Plan expected in early 2018 confirming Waterbeach allocation with Local Plan adoption during summer 2018.
- Committee date for outline application expected spring 2018 with consent following completion of the section 106 agreement.
- Early archaeological work to inform infrastructure and Key Phase 1 applications.
- Skills workshop undertaken to develop jobs and skills approaches to development and set up jobs brokerage scheme.
- Waterbeach Toddler Playgroup opens its new premises.
- Papworth nurses and doctors moving into their new accommodation summer 2018.
- Submission of first phase application for infrastructure, landscaping, first homes, primary school and local centre.

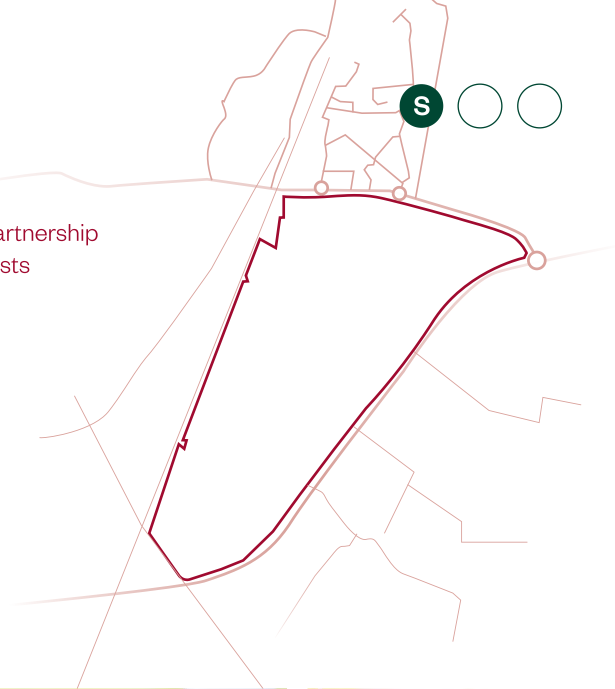
Status
In planning

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



www.waterbeachbarracks.co.uk

Wintringham
St Neots



Status
In planning

Ownership
33 per cent in partnership
with Nuffield Trusts

PROGRESS THIS YEAR

Land:

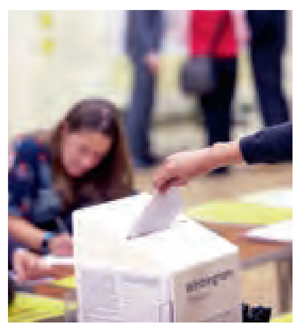
- Acquisition of a one-third stake in the project alongside the Nuffield Trusts, which are the long-term land owners, and assumption of the Development Manager role.

Planning:

- Historical planning appeal withdrawn and new planning strategy developed, project team formed and positive feedback received from Huntingdonshire District Council regarding design and ethos of the planned development.
- Held two public exhibition days attracting over 550 people to share our emerging plans.
- Submission of a hybrid application comprising an outline application for 2,800 homes and 65,500 sq.m. of employment space and Phase 1 infrastructure on 31 October 2017.
- First parcels identified to deliver 500 homes and early engagement with housebuilders commenced.

Community:

- Working with the Nuffield Trusts to secure long-term research projects which will help track health opportunities and challenges within new communities, and support the delivery of innovative services as part of the future development.
- Early engagement with schools and businesses through jobs and careers events in St Neots and with Love's Farm Community Association.
- Working with the County Council team to support early delivery of a temporary school to help address existing capacity issues locally.



FUTURE MILESTONES

- The grant of the hybrid planning consent.
- Entering into licence agreements with our housebuilder customers to deliver the first homes across three parcels.
- Crafting the serviced parcels as Master Developer via strong infrastructure and landscaping.
- Working alongside our customers to deliver the primary school and community facilities in parallel with the first homes.
- Developing the Wintringham brand to support placemaking and a strong consortium marketing and sales approach with our customers and stakeholders.

www.wintringham.org

Civic Living

PROGRESS THIS YEAR

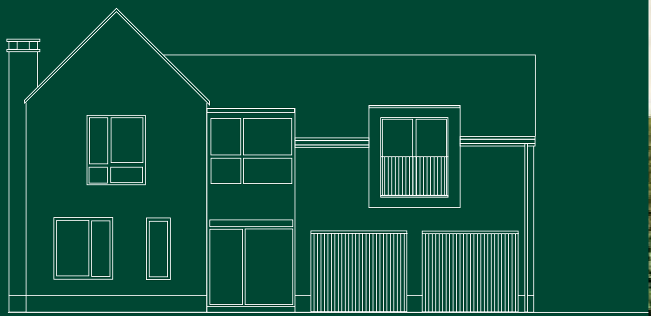
- Establishment of clear business plan and strategy for Civic Living together with branding and site-specific marketing strategy.
- Planning consent obtained for 138 Civic Living homes at Alconbury.
- Identification of Civic Living plots at Rugby for 109 homes and Newark for 90 homes.
- Contractual discussions materially advanced with a contractor for delivery at Alconbury and funding options clearly identified.

FUTURE MILESTONES

- Confirm delivery and funding options.
- Commence delivery, marketing and sale of Civic Living homes at Alconbury.
- Refine designs and efficiency through an iterative delivery process.
- Achieve planning permission and commence delivery of Civic Living homes at Rugby and Newark.
- Identify further Civic Living parcels on other strategic sites.

138

Civic Living homes to be delivered at Alconbury



CGI of Civic Living homes in Alconbury.

OPERATIONAL REVIEW

COMMERCIAL

Wolverhampton, Westside CGI

COMMERCIAL

During 2017 we have seen the completion and early maturity of a number of our commercial developments and, in line with our policy of recycling capital, we have sold a number of schemes into a strong investor market.

Developments completed and sold after the year end:

- Feethams Leisure, Darlington; and
- Hampton by Hilton, Stansted Airport.

Aggregate value of completed and sold schemes: £70 million.

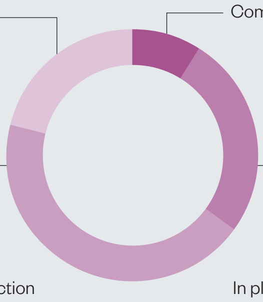
Our ongoing commercial developments continue to make good progress with completions programmed over the next four to five years.

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

Income from completed developments and standing investments has amounted to £13.5 million during the year.

Total square footage:

1,173,000 sq.ft.



SOLD 21%

Scale:

250,000 sq.ft.

Sites sold post year-end:

2

Sites:

- Stansted Airport Hotel, Stansted
- Feethams, Darlington

Stansted Airport Hotel, Stansted

COMPLETED 9%

Scale:

101,000 sq.ft.

Sites completed:

3

Sites:

- Bude, Cornwall
- Canningford House
- Hudson Quay

Hudson Quay

IN CONSTRUCTION 44%

Scale:

521,000 sq.ft.

Dwellings:

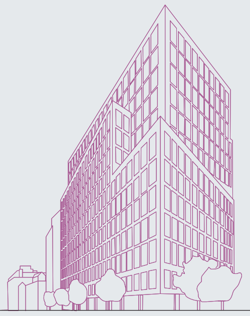
351

Sites in construction:

3

Sites:

- Gallagher Leisure Park, Bradford
- Manchester New Square
- Skelton, East Cleveland



Manchester New Square

IN PLANNING 26%

Scale:

301,000 sq.ft.

Dwellings:

600

Sites in design/planning:

2

Sites:

- Deansgate, Manchester
- Westside, Wolverhampton

Westside, Wolverhampton

HAMPTON BY HILTON
STANSTED AIRPORT

PROGRESS THIS YEAR

- 357 bedroom focused service hotel completed and opened in summer 2017.
- Occupancy and average daily rate achieved in early trading markedly beyond forecast.
- Strong institutional level interest, reflecting nascent appetite for prime higher yielding franchised assets.
- Sale to Legal & General completed in October 2017 for minimum consideration of £48.3 million, testament to the high calibre of investment product produced.

For more information visit:
www.urbanandcivic.com

FEETHAMS LEISURE
DARLINGTON

PROGRESS THIS YEAR

- The first 15 months of successful trading due to active management, which cleared initial voids, and region-wide marketing creating a strong demand for the asset.
- Feethams was purchased by Threadneedle Parsons Property Fund for £22 million in November 2017.

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

GALLAGHER LEISURE PARK
BRADFORD

PROGRESS THIS YEAR

- Multiple asset management/development initiatives of this Odeon anchored leisure park undertaken, with new Costa and KFC drive-through restaurants under construction.
- Odeon lease re-geared and complete re-fit of the cinema incorporating latest digital technology and customer experience undertaken.
- Plans for two additional restaurants in main building.

For more information visit:
www.urbanandcivic.com

MANCHESTER NEW SQUARE

PROGRESS THIS YEAR

- A revised planning consent was obtained for three residential buildings comprising 351 apartments with ground floor restaurants and 250 basement car parking spaces.
- The UK launch in April, through a bespoke marketing suite and show apartment in Princess Street opposite the site, and international marketing created strong local and overseas interest.
- Lendlease appointed main building contractor.
- Enabling works are now nearing completion with main contract due to start March 2018.
- We have obtained strong early off-plan sales, with 102 reservations representing 29 per cent of the total.
- Scheme completion anticipated mid 2020.

For more information visit:
www.manchesternewsquare.com

SKELTON RETAIL PARK CLEVELAND

PROGRESS THIS YEAR

- 36,000 sq.ft. retail park completed in October 2017.
- A strong lineup of tenants, including B&M Bargains & Home Stores, McDonald's, Sue Ryder and Greggs.

For more information visit:
www.urbanandcivic.com

RENAISSANCE HOTEL SITE
DEANSGATE, MANCHESTER

PROGRESS THIS YEAR

- This Marriott managed hotel continues to trade well in Manchester's under supplied hotel market.
- Following an international design competition conducted with Manchester City Council as freeholder, Glenn Howells Architects has been appointed to master plan the site with a planning application programmed for submission late 2018.
- Likely mix of new uses will include 250-bedroom upscale hotel, up to 600 apartments, amenity retail and restaurants and large basement car park.
- Scheme completion anticipated 2022/23.

For more information visit:
www.urbanandcivic.com

WESTSIDE LEISURE
WOLVERHAMPTON

PROGRESS THIS YEAR

- Following selection in 2016, the Development Agreement was completed with the City of Wolverhampton early in 2017.
- An initial planning application was submitted for a comprehensive multi-screen cinema anchored 115,000 sq.ft. leisure scheme in August 2017 following extensive local consultation.
- Scheme completion anticipated 2020.

For more information visit:
www.investwolverhampton.com


Catesby
part of Urban&Civic

OPERATIONAL REVIEW

Catesby

Catesby team in action

Catesby Estates plc

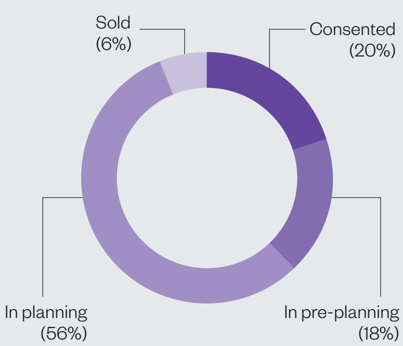
Our Catesby sites are smaller scale consented and de-risked residential sites of up to 2,000 units in locations of proven housing need which we sell on to our housebuilding customers.

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.

Total acreage:

1,673 acres



WHO WE HAVE SOLD TO:

Redrow
Bovis Homes
Bellway
Cala Homes
Crest Nicholson

SOLD 6%

Scale: **104 acres**

Sites sold: **7**

Sites:

- Stadhampton
- Brampton
- Potton
- Shotts
- Patna
- Kerswell
- Carluke

Plots: **705**

CONSENTED 20%

Scale: **338 acres**

Sites consented: **10**

Sites:

- Alfold
- Willingdon
- Wilstead
- Battle
- Europa Way
- Bude
- Bertram
- Kilmarnock
- Armadale
- Fenwick

Plots: **1,998**

IN PLANNING 56%

Scale: **933 acres**

Sites in planning: **32**

Sites:

- Kedleston
- Abingdon
- Felsted
- Cropredy
- Finchampstead
- Crowborough
- Great Gransden
- Bromsgrove
- Buckingham East
- Marcham
- Pulborough
- Farnham
- Countesthorpe
- Sandiway
- Woodside, Kenilworth
- Islip
- Crew Lane, Kenilworth
- Harrold
- Didcot
- Cosby
- East Horsley
- Middleton Cheney
- Marston Moretaine
- Leamington
- Stanstead St Margarets
- Wyatts Green
- Balsall Common
- Meacham
- Wootton
- Godstone
- Stoke Poges North
- Stoke Poges South

Plots: **4,614**

IN PRE-PLANNING 18%

Scale: **298 acres**

Sites pre-planning: **17**

Sites:

- Sudbury
- Southwater
- Binfield
- Roxton
- Burghfield Common
- Boxford
- Hanley Swan
- Bourne End
- Fleckney
- Lydiard Millicent
- North Weald
- Waddesdon
- Solihull
- Meriden
- Prestwood
- Hockley Heath
- Radlett

Plots: **1,750**

S

PROGRESS THIS YEAR

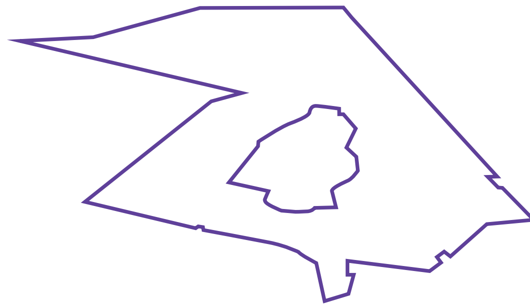
- The Catesby business model continues to work well with a record number of live planning applications or consents in respect of land which would deliver 3,145 dwellings across 17 sites at year end.
- In addition, land for 600 dwellings has been allocated in recently adopted Local Plans and sites sufficient for 650 dwellings are in draft allocations in emerging Local Plans.
- The anticipated average price per square foot of dwellings for private sale by our customers is £328, reflecting Catesby's continued focus on areas of high demand for new homes.
- Of the 3,145 dwellings identified, 735 lie within the Myton Green site in Leamington Spa, an area recently voted as the most desirable place to live in England. The site has outline planning consent and Catesby is investing in infrastructure to deliver serviced land parcels for sale to housebuilders. A spring 2018 start is scheduled with land disposals during the 2017/18 financial year.
- Consent for 790 dwellings across two sites has been delayed by the decision of third parties to judicially review the planning consents received. Both now find themselves in the Court of Appeal.

FUTURE MILESTONES

- Catesby will continue to evolve its site search and selection process to reflect the changing planning environment. As a consequence of Central Government's focus on neighbourhood planning and the emphasis on Local Plans, the opportunity to make applications based solely around the lack of five-year land supply will reduce.
- In accordance with Catesby's strategic objectives to increase land activities for sites between 500 and 2,000 dwellings, a site for circa 2,000 dwellings in an area of identified high housing need has been secured with a view to bringing the site forward through the Local Plan process.
- The rebrand to Catesby Estates plc better reflects the business model and more clearly aligns Catesby with Urban&Civic. It is expected this change will deliver benefits in 2018 and beyond.

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

LAND AT WOODSIDE CONFERENCE CENTRE AND CREW LANE, KENILWORTH



76
acres

Catesby controls land totalling 76 acres which has been allocated for 640 new homes in the recently adopted Warwick District Local Plan (September 2017). The land is controlled through two separate promotion agreements, the first of which was agreed in April 2014, at which point the land was not identified as an allocation in the emerging Local Plan.

Due to the land's proximity to an identified site for large scale development in the emerging Local Plan and our own assessment of the Council's need to allocate more housing, which was proved correct through the Local Plan examination in public process, the site was subsequently identified by the Local Authority for development.

A planning application will be submitted in early 2018, four years after Catesby agreed in principle the first land agreement. This site reinforces the need to have a portfolio of scale in order to exploit alternative planning strategies, due to the timescales required for delivery of sites through Local Plans.

Kenilworth has a population of 25,532 and is a highly desirable place to live with low crime rates, strong education provision and a wide range of leisure facilities. The town has seen relatively little new housing development in the last 20 years and as a consequence we expect the site to be in high demand from housebuilders.

IN THIS SECTION

UNLOCKING VALUE THROUGH DELIVERY
pages 61 to 65

OUR APPROACH
Accelerating delivery

Stakeholder engagement

Job creation and economic growth

Efficient design, environment and sustainability

Transport

INVESTING IN OUR COMMUNITIES
pages 66 to 69

OUR APPROACH
Staff engagement

Community projects

Building communities and investing for the future

Charitable donations

OUR OPERATIONS
page 70

OUR APPROACH
Energy conservation

Travel

Health and safety

EMPLOYEES
page 71

OUR APPROACH
Retention and training

Human rights

Diversity

Play area at Alconbury Weald

A DIFFERENT APPROACH

As a Master Developer, we believe our approach to delivering strategic sites is different. By listening to and working with the people on the ground who will be affected by our developments, we build confidence, bring disused land into development faster and make sure that the impact of change is a positive one. We invest early so that key infrastructure and amenities that people want – parks, schools, bike lanes and access roads – are in place for the first people who arrive, not somewhere down the track. We also focus hard on quality because things that work well, feel right, look good and last a long time are the essential components of great places.

We know this approach brings benefits and have good anecdotal evidence of that – for example through the accounts of some of the first families to arrive at Alconbury Weald, who love the blend of transport links, a new school, good quality housing and the prospect of being part of a new community. Whilst we continue to capture their and other stories in this report, in 2017 we decided to go further in our efforts to measure and identify social and environmental impact.

We have been reporting data on health and safety and greenhouse gas emissions for several years and are now working with consultants Anthesis to develop a range of metrics that give a greater sense of how our approach to development is different, and what effect that is having. This includes new information on the rate at which we are able to develop land; the investment we make in the communities both around and on our sites; and the effectiveness of our engagement as evidenced through the fate of planning applications, as well as new numbers for performance on waste and carbon. We expect to add further metrics in the coming years.

JAMES SCOTT

DIRECTOR OF PLANNING AND COMMUNICATIONS

UNLOCKING VALUE THROUGH DELIVERY

OUR APPROACH

There is no question that we need more housing in the UK. It is also vital that new housing can be the centrepiece of a sustainable lifestyle for the people who live in it, meaning it is critically important that the other ingredients of that lifestyle – access to work, schools and other amenities – are in place. Equally while the drivers for commercial development may be a bit different, the shops, restaurants, hotels and offices we are delivering are the building blocks of future prosperity, so it is also essential they arrive in the right places, in the right form.

Land is lying derelict for too long, passed over as too complex to develop. Proposed developments get bogged down in planning because they lack buy-in from communities and politicians, either because the design is poor, the proposed quality is low, or people do not believe that the promises will be delivered. As a result, nothing happens and the potential for new communities, employment and social value remains untapped.

Urban&Civic was established to disrupt the market norm, and our commitment to early investment, quality, great community and stakeholder engagement and to high environmental standards means we are getting on with it at an ever-increasing rate.

James Scott with Alok Sharma MP, Minister for Housing, and Sir Eddie Lister, Chairman of the Homes and Communities Agency.

Accelerating delivery

Our Rugby development, after ceasing to be an operated BT site, had been idle for nine years before we began commercial development. We fully support the Government's ambition that land lying idle, which could provide homes and employment, is brought into use as fast as possible. The pinch-points in the development process often delay delivery by months and years and we knew that the combination of access to land and the planning system are major factors limiting SME housebuilders from competing effectively. We believe Urban&Civic's approach and expertise as Master Developer not only allow us to take on more complex sites but also create a serviced land product which ensures a level playing field for housebuilders of all sizes.

Accelerating delivery continued

In 2017, we decided to begin measuring and reporting how long land that we are now developing has been idle, and what proportion of land we have acquired now has outline planning consent or is in development. These first benchmarks will enable us to review and target progress in coming years.

4.4

Average number of years land has been idle before being bought by U&C

1.3

Number of years post acquisition before U&C commences development of a site

78%

of land with outline consent or in development

Stakeholder engagement

One of the keys to our accelerated development path is successful stakeholder engagement. Good relationships with people near our sites is crucial to rapid planning consent and keeping to programme during the building process. We invest heavily in communication and consultation and have sought to measure the effect of this in terms of planning application and consents.

Number of planning consents applied for and granted[1]

1. Metric captures the number of consents applied for and granted within a given time period (FY 2017). Therefore, success rate is not the absolute success rate.

Mark Pawsey MP on site at RadioStation Rugby.

We also believe that building relationships based on trust with our partners is essential to rapid and smooth development, particularly where projects are brought on over many years. This is why we place a strong emphasis on continuing to engage and support the people who live and work on or near our sites as development matures.

845

jobs created through the construction lifecycle at Alconbury

Job creation and economic growth

Development can make an important contribution to local and regional economic prosperity, both during the construction phase and once in use. We have been keen to understand the impact our schemes have in creating jobs and enabling growth in the economy. In 2017, we built a more quantitative picture of our impact, measuring employment creation at one of our major sites, Alconbury. Ultimately, we want to capture the impact all our schemes have over time, in terms of direct and indirect economic effects.

The approach we take at Alconbury Weald is emblematic of our focus on making places that create and reinforce economic opportunity. In 2017, our team continued to support a wide range of activities on site, from the establishment of a new community shop to the opening of Ermine Street Academy, the primary school on site at which young residents of Alconbury will start the long journey to employment. For young people nearing the end of their education, we supported "Inspire", an event at the Enterprise Campus at which 14–19 year olds met employers and professionals from businesses based on site, and learned more about the jobs and work experience available at Alconbury. Case studies overleaf on Alconbury projects EDGE and iMET give more detail on how investment in the long term economic future of our sites paid dividends in 2017.

July 2017 saw the opening of the 357-bedroom Hampton by Hilton Hotel[1], built on a two-acre disused car park at Stansted Airport. Stansted Airport is now the place of work for 11,600 people and serves over 24 million passengers, so modern infrastructure is vital if the airport is to function and flourish. The hotel Urban&Civic developed is an important new part of that infrastructure.

Our professional team applied modern methods of construction and whole life costings to create a design that combined ease of build and maintenance, good sustainability standards, reduced capital expenditure and enabled tight delivery timescales. Main contractors McAleer and Rushe sourced building materials locally, used local subcontractors, and employed local people across all packages of work, despite there being no section 106 obligation relating to skills training and jobs. No construction waste went to landfill – with 99.9 per cent of waste either recycled or reused on site and 0.1 per cent was sent to energy from waste. The build has achieved the BREEAM Very Good rating and Hilton awarded the scheme the highest marks for quality ever achieved for a similar brand in its portfolio. Now operational the hotel has generated 75 full-time jobs across a range of sectors and has an established local supply chain.

The Hampton by Hilton Hotel at Stansted team training day.

1. On 16 October 2017, we sold the Hampton by Hilton Hotel at Stansted Airport.

> "Going to EDGE was a really positive experience. From the moment I walked into the EDGE shop I was made to feel welcome. Christine spent time talking to me and discussing my past experience and skills. She helped bring my CV up to date and when I left, I was feeling much more confident. She said I wouldn't be out of work for another month and she was right.
>
> **STEVE KESLER**

CASE STUDY

EDGE

CREATING ECONOMIC OPPORTUNITY AT ALCONBURY WEALD

A jobs and skills partnership, focused on Alconbury, with a team based in Huntingdon town centre that works with local training providers, careers advice services, local authorities and the Jobcentre, and connects the companies building and occupying the Alconbury site with local jobseekers. EDGE has been operating since 2016, running careers fairs for schools, and securing apprenticeships and work experience opportunities – for example in February this year EDGE celebrated National Apprenticeship Week with companies on site at Alconbury. In last year's report we noted that 53 local people had already found employment through the service. In July 2017, Steve Kesler became EDGE's 100th success, in a story typical of EDGE's work. Steve was referred to EDGE by the local jobcentre, after a period of unemployment had left him lacking confidence in his future prospects. At EDGE he met adviser Christine Dade, who invested the face-to-face time and support Steve needed to turn his situation around. Steve soon found an opportunity at T&C electricals in St Neots, where he now works. Since July, another 30 people like Steve have used support from EDGE to rejoin the world of work. EDGE also helps people out of work into self-employment, one example being local skateboarder Jason Emery who has turned his hobby into a business offering lessons at Alconbury's new skate park, with financial support from Urban&Civic. In February, we were delighted to see this work acknowledged by the then Secretary of State for Work and Pensions Damian Green when he visited EDGE in Huntingdon with prospective Cambridgeshire and Peterborough Mayoral Candidate James Palmer, to find out more about our innovative partnership-based approach.

For more information visit: **www.sharperskills.co.uk**

Efficient design, environment and sustainability

The speed and scale that we achieve in development unlocks the social value in our sites, but we ensure that this does not come at the expense of quality and sustainability. A responsible approach to energy, waste, transport, water and other environmental topics underlies our development model and drives the way we design, commission and build.

These priorities came to the fore in many ways during 2017. At Newark we used geotextiles and earth instead of traditional retaining structures to improve visual impact for residents and maximise the re-use of material on site. Whilst at Alconbury we have already laid out the cricket pitch to give it time to bed in for play in 2019.

The cricket pitch, Alconbury Weald.

At Rugby, we have focused strongly on sustainable drainage where we started by carrying out an earthworks study ahead of the delivery of the first parcel, to ensure that all spoil would be retained on site. Our surface water drainage strategy introduced new discharge points into existing water courses. This meant directing surface water through ecology corridors such as wetlands and ponds, and better use of highway corridors to retain water, using gravel ditches and oversized pipes in a mixed mode of design solutions.

This approach will enable us to minimise environmental impact over the lifecycle of the development. Ultimately, we believe that by going beyond simple compliance and a single solution, our approach will also add value to landscaping, placemaking and the ecology.

Elsewhere, sustainability considerations came together with modern methods of construction at every stage of design and construction. In February, Redrow Homes launched its Alconbury Weald offer, bringing sustainable timber frame homes to the development. Redrow was the first major UK housebuilder to score a maximum rating of "three trees" from the WWF with 99.83 per cent of timber sustainability sourced and offering a low carbon, reliable and efficient replacement for concrete blocks.

On large sites delivered over many years, getting drainage right plays a surprisingly important role in the future environment. At Rugby, we are implementing a sustainable drainage strategy across the whole developable area.

Alconbury residents travel survey:

70%

get to educational activities on foot

35%

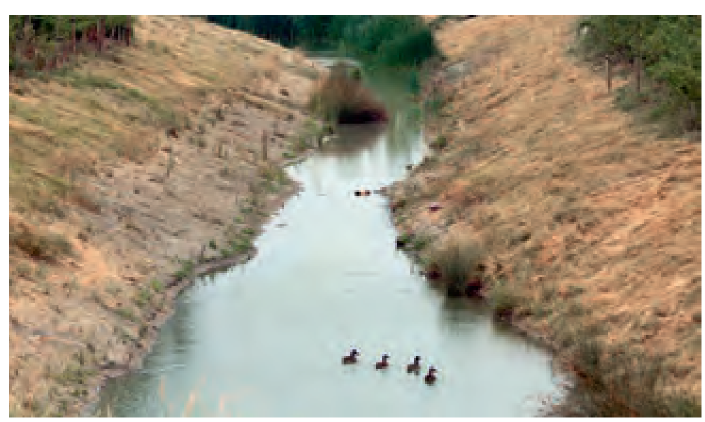
car share to access leisure activities

Timber frame homes by Redrow at Alconbury Weald.

Transport

Travel planning is a key component of our approach to sustainability, making sure that people living and working on our sites can access what they need easily and efficiently. One example is our Transport Strategy at Alconbury Weald, which includes free bus tickets and vouchers for cycle kit for every new household, as part of a plan to build a culture of walking, cycling and use of public transport. It is an approach we developed with Cambridgeshire County Council, with agreed transport interventions as the development unfurls, incentivising us to work with the business and residential community to minimise car use and promote sustainable travel options.

In 2017 we surveyed how residents and businesses on site are travelling to see what effect these measures are having at Alconbury, and help shape future interventions. We learned that nearly 70 per cent of respondents get to educational activities on foot; that nearly a third of households have no bicycles – and could benefit from our voucher scheme; and encouragingly, 35 per cent of people now car share to access leisure activities. The data is being used to plan the frequency and routes of buses, the locations of three cycle hire hubs being set up in the first phase of development, and to inform car sharing and further public transport initiatives. Meanwhile, Urban&Civic's Communities Team has been holding events with local partners to encourage cycling and walking, by communicating the many benefits of active travel, from better health to reducing carbon emissions and less noise, pollution and traffic on the development.



Sustainable urban drainage running through an ecology corridor at Rugby.

April 2016

May 2017

> Productivity is becoming the catchword in Westminster. A key part of that productivity is skills, and in this part of the country making the most out of the wonderful resources we have here is key. Training is a vital part of that, together with an increase in apprenticeships. iMET will enable local businesses to take that to a much higher level.

JONATHAN DJANOGLY MP,

SPEAKING AT THE TOPPING OUT CEREMONY FOR iMET

December 2017

CASE STUDY

iMET | Innovation Manufacturing Engineering Technology

Alconbury's Innovation, Manufacturing, Engineering and Technology centre was officially topped out in November by Huntingdon MP Jonathan Djanogly at a ceremony joined by leaders from business, local government and iMET's partners. iMET was conceived in 2013 after research funded by Urban&Civic, local authorities and the Local Enterprise Partnership identified the need for advanced skills to support growth in engineering and high value manufacturing in the region. Alconbury's proximity to the global innovation hub and cutting edge industries of Cambridge makes it a great location to support that skills agenda. Now, with £10.5 million from the Greater Cambridge and Greater Peterborough Enterprise Partnership and support from Cambridge and Peterborough's regional colleges, iMET is being built on land donated by Urban&Civic. Our team has also been working with the colleges' project teams on design, build, branding, business engagement and curriculum development. When iMET opens in 2018, it will manage business engagement in skills in the region, and provide the kind of training that growth in lightweight technologies, energy storage and low carbon manufacturing all depend on. By supporting that growth, iMET will extend Alconbury's contribution to sustainability way beyond the confines of the site.

For more information visit: **www.imet.co.uk**

INVESTING IN OUR COMMUNITIES

OUR APPROACH

The success of the communities we build is highly dependent on good relationships with local people. We make significant investment in these relationships before and during development and we are proud of the outcomes we achieve together.

Last year we reported on what we had been doing at Darlington, Waterbeach and elsewhere. As our strategic sites mature, in 2017 we are able to capture more significant results, with schools and other amenities opening and communities coming alive.

Staff engagement

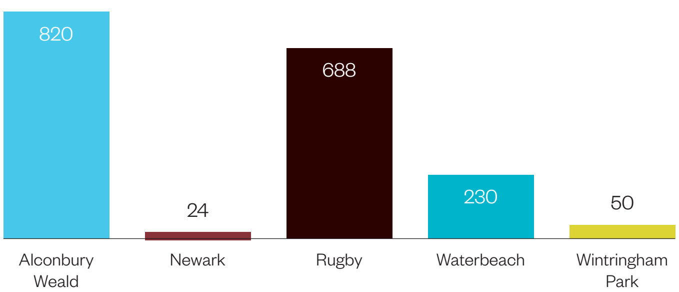
We encourage our team to play a part in their communities at home and at work, as we know it brings benefits all round.

This year, we have measured and report this investment in time and resource for the first time across our strategic sites. We found that 1,812 hours were spent on non-obligatory initiatives.

Hours invested by staff into non-obligatory initiatives

1,812

total hours invested



Low figures for Newark and Waterbeach as both projects are in early development. We expect figures to rise as each project progresses in development.

Our largest investment has been at Rugby and Alconbury. This is because both Rugby and Alconbury are much further along on their development stages. We expect to increase investment at all our strategic land sites, as each development stage progresses.

For example, our team at Rugby invested around 160 hours in 2017 as a member of St Gabriel's Church of England Academy board of directors where we have an active role in the delivery of the school with the Diocese of Coventry. Over in Alconbury, Rebecca Britton is a school governor at Ermine Street Church Academy and is a board member at Groundwork East, collectively spending over 200 hours helping with key local community activities.

Community projects

We aim to use our capabilities and investment to provide communities with new facilities and lasting improvements to what already exist.

Last year we reported on our support for the Waterbeach Toddler Playgroup; however, this year another, perhaps more surprising, example is the work we have done at Waterbeach to create space for those resting in peace. A growing resident population and our long term view of community development meant we needed to consider what the residents of Waterbeach will need throughout their lives, including right at the end. In 2017 we organised an extension to the village cemetery, so that by the end of the year an acre of Barracks land will be handed over to the Parish Council to provide additional space for burials. We also helped with landscaping – including tree planting and grass seeding the new area, and upgraded paths within the existing cemetery to make them wider with wheelchair and pushchair friendly surfaces.

In 2017, we also published "The History of Rugby Radio Station" in partnership with Aviva, with all proceeds from book sales donated to Warwickshire and Northamptonshire Air Ambulance. From our early community engagement, we understood that the radio masts and the station's history were really important to local people, so we decided that the book would be a good way to ensure that the heritage lived on. Sales of the book have raised around £6,000 for Warwickshire Air Ambulance.

Malcolm Hancock and Johanne Thomas with Warwickshire and Northamptonshire's Air Ambulance crew.

Our Green Skills team celebrating delivery of the allotments.

Over at Alconbury, we invested in our Green Skills initiative to provide skills and employment projects for long-term unemployed people with access to jobs on site and in the local area. The team created the allotments for new residents, and 100 per cent went on to employment with the local A14 Delivery Group. Our "Top Secret" initiative, which provides ongoing support for a project engaging young people in historical research, creative expression, promotion and event management, worked with two local schools, local heritage groups and the neighbouring US Air Force base, reaching around 1,000 people.

Building on the success of The Tuning Fork Café at Rugby, we also invested in Swynford Stores – a shop selling everyday essentials at Alconbury, and run by Adrian and Samantha Wardman, who run the community store in neighbouring Abbots Ripton. The store opened in July and will evolve with the community to provide the right goods at the most useful opening hours, and additional services such as a satellite post office.

Steph Burton, Community Development Worker, Alconbury Weald.

Community activities

44
number

113,050 people
estimated reach

In September, a year on from the first arrivals on site, Community Development Worker Steph Burton hosted Alconbury Weald's first residents forum. After a breakfast stroll along the new cycleway and an update on site development, residents discussed future community facilities and social events, and fed back on existing services. There was great enthusiasm for new landscaping and play areas, and a strong sense of pride and community in maintaining the quality of development delivered. Plans for the future include an Allotment Association and regular forums that could pave the way for a new Parish Council.

In all we invested time, energy and resources in 44 community activities, reaching over 100,000 people during the year. We aim to maintain and where relevant increase this kind of investment in the future.

Charitable donations

The Urban&Civic team is encouraged to contribute its time to charitable activities. In 2017 we saw more volunteering than ever and, as in previous years, cyclists led the charge. Colleagues on bikes raised money for a range of charities. David Wood and Oluwole Ogunleye completed The London to Brighton Challenge (on a tandem) for the British Heart foundation. Joining them was Frances Chan, who rode solo.

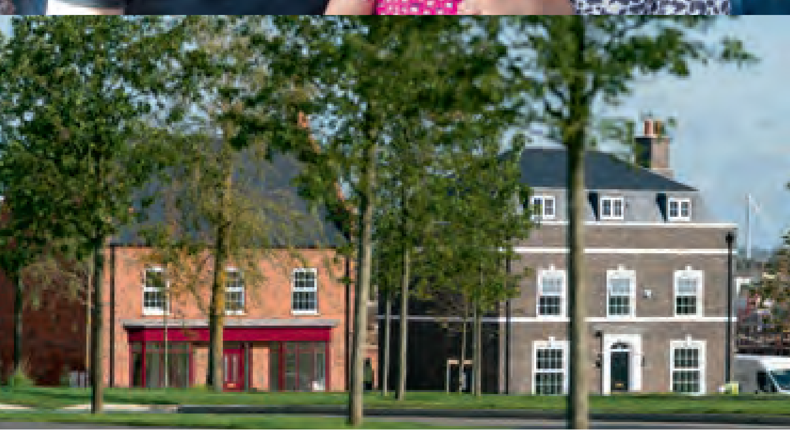
David Wood and Oluwole Ogunleye approaching the finish line.

Others ran to raise money. Phil Partridge completed the Berlin Marathon in September and raised around £1,000 for Prostate Cancer UK. A Catesby team of David Morris, Myron Osborne, Ed Barrett and Phil Partridge joined over 200 professionals from across the property and construction industry at the inaugural LandAid Midlands 10K in Longbridge, Birmingham, in September. LandAid seeks to end youth homelessness and the money raised will help support local charity St Basils to convert an empty property into a home for 18 young people at risk of homelessness.

Not everyone felt the need to get out of breath to help. Richard Hepworth remains a fund raiser and Trustee of St Teresa's Hospice in Darlington and was Chair of their Development Committee this year. Under his watch, the hospice recently completed a new ten bedroom in-patient unit. Heather Williams volunteered as a minute secretary to LandAid, covering the Board and Finance and Audit Committee. We support all our colleagues' charitable endeavours and we are immensely proud of their achievements.

A COMMUNITY TAKING SHAPE

We are transforming the former radio station site in Rugby into a vibrant community, with the first residents soon to join us at Houlton. Davidsons, Morris and Crest Nicholson are all building houses that meet our design codes yet vary in terms of style, size and price, and all our housebuilders offer Help to Buy schemes.



We have created a site-wide Visitor Centre and marketing suite promotes the long-term vision and objectives for Houlton, and with HCA support we are accelerating construction of the link road, improving residents' access to the town centre and train station.

The Tuning Fork eatery, which was in development when we last reported, opened in 2017 and has been a great success with the 100 or so visitors who come to site each day. The family-run eatery sources locally wherever possible, helping support local jobs and suppliers. It is also a flexible space and is already hosting a range of events for charities and businesses. The neighbouring barn provides additional space for fitness, parent and toddler activities and other community events.

To see the Tuning Fork in action and learn more about the team behind its success tune in to:
www.urbanandcivic.com/tuning-fork-cafe-rugby

Impressed by the quality of the show home, the good transport links, the local academy and the prospect of being a part of a new community, the first family who will make Houlton their home, Ewan, Jenna and Rose Davidson, purchased a four-bedroom home on the open day. We look forward to welcoming the Davidsons to their new home soon.

THE TUNING FORK

1,419 cold drinks

2,290 hot drinks

1,202 lunches

1,159 cakes

1,175 hot breakfasts

Served up by the Tuning Fork in August 2017.

PUTTING SCHOOLS FRONT AND CENTRE

St Gabriel's Church of England Academy at Houlton will be the first primary school on the site. It will open in September 2018 with its dedicated reception class and a mixed age provision for years one and two. The academy trust is a partnership between the Coventry Diocesan Board of Education and Urban&Civic.

Three-year-olds Aryian and Reevan Gill along with their parents, Tina and AJ, will be amongst the first families to be moving to the new community of Houlton, and are also among the first of several families to apply for a place in the first primary intake in September 2018.

The family took the morning to look around the school, and met Andrew Taylor, the Head Teacher, who showcased the facilities, ethos and curriculum. The family were immediately impressed. Tina said: "As soon as we entered St Gabriel's we really got a feel and vision for the school and its modern teaching style. Its outstanding facilities, with plenty of open space both inside and out, together with Mr Taylor's teaching ethos, are the ideal fit for our boys. The school's opening and our move to Houlton could not come at a better time, as the boys start their educational journey."

The delivery of the school also enabled us to leverage opportunities for jobs and skills. As part of the delivery our main contractor, Stepnell, together with Warwickshire College Group have partnered to offer eight local students studying construction related courses work experience opportunities in the industry. Working with Urban&Civic, van Heyningen and Haward Architects, and Rugby College placement co-ordinator Leanne Booth, Stepnell has offered students on-site work experience, which gave students contact with on-site professionals including architects, bricklayers, electricians, project managers, plumbers, site managers, carpenters and site joiners. Students involved have also been offered health and safety training, improving their employability in the construction sector.

Elliot Bates is one apprentice benefiting from the scheme, working on site at the school. Karen Ryan of Stepnell explained: "We had a position available for an apprentice joiner in Rugby and after interviewing carpentry diploma students at Warwickshire College we invited three for work experience in our joinery shop. One person was ideally suited to the joinery shop while the other two were suited to site carpentry, and out of those two Elliott Bates stood out to us for an apprenticeship in site carpentry. We've been very encouraged by his progress – including winning the new entrant category of the CITB Skillbuild competition."

> "With the school in place, The Tuning Fork, The Barn and the Visitor Centre, Houlton already has a community feel and is just the right place for young families such as ours.
>
> TINA GILL

OUR OPERATIONS

OUR APPROACH

We keep our Company lean, so the impact we have directly as an organisation – through our offices, travel, and the way we protect the health and safety of our employees – is small compared to the effect of our developments. It remains vital, however, that we manage and minimise negative impacts where we have the most control.

Emissions

Emissions source	Reporting year end 30 September 2017 CO_2e tonnes	Reporting year end 30 September 2016 CO_2e tonnes
Combustion of fuel and operation of facilities	**1,068**	864
Electricity, heat and cooling purchased for own use	**1,971**	1,879
Total CO_2e tonnes	**3,039**	2,743
Financial turnover £k	**£60,333**	£95,208k
Intensity ratio: CO_2e tonnes/turnover £k	**0.0504**	0.0288
Intensity ratio: CO_2e kg/turnover £k	**50.4**	28.8
Intensity ratio: CO_2e kg/turnover yearly per cent change	**+75.0%**	(41.9)%

Energy and greenhouse gases

We measure and report our greenhouse gas emissions, providing a good proxy for our overall environmental impact. Our greenhouse gas emissions statement includes all emission sources required under the Companies Act 2006 (Strategic and Directors' Reports) Regulations 2013 for the financial year ended 30 September 2017 and includes comparison on a like-for-like basis. The following methodologies have been used to calculate the emissions detailed:

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

The emissions reported are those for operationally controlled facilities of Urban&Civic. Therefore, carbon emissions produced from assets that are not owned by Urban&Civic and where they are acting under a development management agreement for the assets' development are deemed the responsibility of its client and have been excluded from this report. The assets will be included when the land is drawn down under that agreement in future periods.

No emissions data has been included in the emissions table where Urban&Civic has an interest in property or operations, but does not have operational control. Consequently, tenant consumption and certain joint ventures have been omitted from the presented analysis. The sites that were considered to be controlled operationally by Urban&Civic included all offices occupied by the Group, as well as Alconbury Weald and the Renaissance hotel at Deansgate, Manchester. The hotel at Deansgate and Alconbury Weald were the highest producers of CO_2e emissions, accounting for 42.2 per cent and 31.1 per cent of Urban&Civic's overall carbon emissions respectively.

The intensity ratio has risen by 75.0 per cent in 2017. The 2017 reported emissions data of the Urban&Civic Group is for the 12 months ended 30 September 2017.

Travel

The Urban&Civic team regularly travels around the country to view sites, attend stakeholder events and meet landowners, contractors, tenants and local communities, and we are determined to keep the impact of travel to a minimum. We are headquartered in London, but we maintain a network of regional and site offices so that our people are efficiently distributed around the country and have the local knowledge and real connections that underlie our approach. Business travel is fully documented and subject to authorisation to ensure journeys are undertaken by the optimum mode.

Travel by rail predominates longer journeys. We promote cycle use and have bicycles on site at Waterbeach and Alconbury for site tours. All employees are eligible to join the Group's cycle to work scheme and currently around 10 per cent of staff commute by bicycle.

Health and safety

It is essential that we look after the people who are building, working and living on our sites, so health and safety is a top priority for Urban&Civic, from the Board down. We review our policies regularly and work with contractors, tenants and other stakeholders to ensure our approach is effective and up to date. We continue, for example, our Health and Safety Forum for contractors at Alconbury Weald.

In 2017 we moved the frequency of these events from quarterly to weekly and fortnightly. We have found that this new format with more frequent meetings has meant that issues and challenges were addressed more speedily. The frequency of the meetings also means that contractor engagement is always of the highest priority, and it keeps health and safety issues at the forefront of our contractors' thinking.

At each meeting, we have a set agenda, which makes addressing health and safety issues more efficient and relevant. We cover issues such as health and safety matters, updates on incidents, issues and concerns, and other matters, such as site facilities and logistics.

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

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

- Reportable incidents: One
- Fatalities: Nil
- Prosecutions, fines and notices: Nil
- Incidents requiring first aid: Three

EMPLOYEES

OUR APPROACH

Like any company, great employees hold the key to everything we do. Benchmarked salaries, goal-focused bonuses and incentive schemes, regular appraisals, training and professional development and internal promotion are all vital components of the way we attract and retain the best employees.

Retention and training

We are proud of our high rates of employee retention. In 2017 we filled posts at Urban&Civic and Catesby with new colleagues, including Katie Yates, Lucy Smith, Olivia Brown, Jack Williams, Kerry Milburn, Kirill Simdyashkin, Stephanie Burton, Galina Bardarska, Michael van den Berg, James Findlay, Carlo D'Emidio and Peter Briggs.

Urban&Civic's staff conference was held in Rugby this year. As well as an opportunity to update on the year's progress, we used the conference to bring together our teams to collaborate on topics ranging from our USPs to internal communications. We are taking forward many of their suggestions into our business practices. We also organised a site tour for all employees, providing a fantastic opportunity for everyone, and particularly those from our central offices, to see how Rugby has moved on since last year. After the main conference and the site tour, we headed over to Birmingham for a team bonding meal to finish off the day's activities.

As in previous years, we continue to invest in training. The Board reviews Group policies and procedures as required, and we regularly update policies as a result. The Company Secretary ensures that updated policies are circulated to all staff and regularly refreshes the staff handbook to ensure it reflects best practice and the latest regulations. All permanent employees are eligible to join the Group's benefits schemes, including life assurance, permanent health insurance, medical insurance and the Group pension scheme.

We have a very open and inclusive working environment, which promotes personal development at all levels, and our staff are encouraged to attend seminars and training courses relevant to their role throughout the year. We hold a staff seminar twice a year, providing employees with an operational update and an overview of half and full year results, which keeps them engaged and included in how the Company is run.

Part of the Urban&Civic team enjoying a break out session in The Tuning Fork Café.

Human rights

Urban&Civic plc has a zero tolerance approach to slavery and is committed to ensuring there are no acts of slavery within any part of its business or its supply chains. We expect high standards of our employees and the staff handbook includes information on health and safety, diversity, bullying and harassment, anti-bribery and whistleblowing policies. Employees are expected to report any concerns related to Group activities and/or supply chains of the business. We have also adopted an Anti-slavery and Human Trafficking Code of Conduct which sets out the conduct expected of everyone in the Group and the steps to be taken to ensure that slavery and human trafficking are not taking place within the business or its supply chains. The Code of Conduct has been approved by the Board and will be reviewed annually.

As required under the Modern Slavery Act 2015, Urban&Civic prepared a formal policy dealing with slavery and human trafficking, which was published on the Company's website in 2017.

Diversity

Through its diversity policy, the Board and senior management undertake to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination.

We have adopted a diversity policy that is reviewed annually and it can be found on our website. Appointments are made on merit, skills and experience but with due regard to the benefits of diversity. You can read more about our approach to diversity in the report of the Nomination Committee on page 95.

The strategic report contained on pages 4 to 71 was approved by the Board on 27 November 2017.

On behalf of the Board

Nigel Hugill
Chief Executive

Robin Butler
Managing Director

Governance

CORPORATE GOVERNANCE REVIEW

This corporate governance review sets out the Group's governance processes and the Board's activities in the year. The review demonstrates the commitment by the Company to upholding high standards of corporate governance and explains how it complies with the provisions of the UK Corporate Governance Code.

ALAN DICKINSON — CHAIRMAN

IN THIS SECTION

Overview
page 75

Board of Directors
pages 76 to 78

Corporate Governance report
pages 79 to 89

Reports

Nomination Committee
pages 90 to 97

Audit Committee
pages 98 to 103

Directors' remuneration report
pages 104 to 120

Directors' report
pages 121 to 124

Directors' responsibility statement
page 125

LEADERSHIP

The Board provides leadership and is collectively responsible for the long-term success of the Group. The structure and responsibilities of the Board and its committees, and the division of responsibilities between individual directors are set out in the Corporate Governance report. The key activities of the Board during the year are set out in the Corporate Governance report and in the reports of the Nomination, Audit and Remuneration committees.

Board of Directors
pages 76 to 78

Corporate Governance report
pages 79 to 84

EFFECTIVENESS

The Corporate Governance report and Nomination Committee report set out the processes by which the Board ensures the effective operation of the Board and its committees. This includes a description of the Board's composition and independence, a review of the 2017 Board evaluation process, the procedure for the appointment of new Directors and the Board induction procedure.

Corporate Governance report
page 85

Nomination Committee report
pages 90 to 97

ACCOUNTABILITY

The Board and Audit Committee are responsible for ensuring that the financial reporting of the Group represents a fair, balanced and understandable assessment of the Company's position and prospects and for the maintenance of effective internal control systems and risk management. The Board's approach to risk appetite and risk management is set out in the risk review, and the Audit Committee report sets out the processes for ensuring the integrity of financial reporting.

Risk review
pages 33 to 37

Audit Committee report
pages 98 to 103

REMUNERATION

The Remuneration Committee's role is to ensure that the remuneration policy for Executive Directors is appropriately designed to promote the long-term success of the Company and is a fair reward structure to incentivise Executive Directors to deliver the Group's strategic objectives. The procedure for developing the executive remuneration policy and its implementation is set out in the Directors' remuneration report, which also includes the proposed changes to the remuneration policy to be presented to shareholders at the 2018 AGM and a report on the operation of the current policy during the year under review.

Directors' remuneration report
pages 104 to 120

RELATIONS WITH SHAREHOLDERS

The Board is responsible for an open dialogue with shareholders. The Corporate Governance report includes a description of the events and activities with shareholders during the year and the Directors' remuneration report makes specific reference to the consultation with shareholders in relation to the proposed remuneration policy.

Corporate Governance report
pages 88 and 89

Directors' remuneration report
page 107

Alan Dickinson
Non-Executive Chairman

Appointed to the Board
22 May 2014

Appointed as Chairman
24 March 2016

Independent
Yes, on appointment as Chairman.

Committees
Chairman of the Nomination Committee.

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

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

Nigel Hugill
Chief Executive

Appointed to the Board
22 May 2014

Committees
Member of the Executive Management Committee.

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

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

Robin Butler
Managing Director

Appointed to the Board
22 May 2014

Committees
Chairman of the Executive Management Committee.

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

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

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

David Wood
Group Finance Director

Appointed to the Board
1 July 2016

Committees
Member of the Executive Management Committee.

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

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

External appointments
None.

1. The roles and responsibilities of the Executive Directors are discussed in more detail in the Corporate Governance report on page 80.

Duncan Hunter
Senior Independent Non-Executive Director

Appointed to the Board
22 May 2014

Independent
Yes

Committees
Member of the Audit, Remuneration and Nomination committees.

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

External appointments
Duncan is executive chairman of EQL Capital.

Ian Barlow
Non-Executive Director

Appointed to the Board
1 September 2016

Independent
Yes

Committees
Chairman of the Audit Committee. Member of the Nomination and Remuneration committees.

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

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

June Barnes
Non-Executive Director

Appointed to the Board
22 May 2014

Independent
Yes

Committees
Chair of the Remuneration Committee. Member of the Audit and Nomination committees.

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

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

Jon Di-Stefano
Non-Executive Director

Appointed to the Board
1 September 2017

Independent
Yes

Committees
Member of the Audit Committee.

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

External appointments
Jon is chief executive of Telford Homes Plc.

Robert Dyson
Non-Executive Director

Appointed to the Board
5 March 2007[2]

Independent
Yes

Committees
Member of the Audit, Remuneration and Nomination committees.

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

He has held a number of non-executive positions in finance and property organisations including Manchester Building Society.

External appointments
Bob is a consultant to CBRE and chairman of the north west board of Brainwave Charity.

Mark Tagliaferri
Non-Executive Director

Appointed to the Board
22 May 2014

Independent
No

Committees
Member of the Remuneration and Nomination committees.

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

External appointments
Mark is managing partner of GI Partners and is the chairman of London Strategic Land.

Heather Williams
Company Secretary

Appointed
26 August 2015

Committees
Member of the Executive Management Committee.

Attends all meetings of the Board and Audit, Remuneration and Nomination committees in her capacity as Company Secretary.

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 Bar plc. Her experience also includes nearly nine years as an investment trust company secretary.

2. Robert Dyson was appointed to the Board of Terrace Hill Group plc on 5 March 2007 but his appointment to Urban&Civic plc is deemed to have commenced on 22 May 2014, being the date of admission of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange.

Leadership

The Board

The Directors, their independence and committee membership are shown below:

	Audit Committee	Remuneration Committee	Nomination Committee
Chairman			
Alan Dickinson[1]	—	—	○
Executive Directors			
Nigel Hugill	—	—	—
Robin Butler	—	—	—
David Wood	—	—	—
Independent Non-Executive Directors			
Ian Barlow	○	●	●
June Barnes	●	○	●
Jon Di-Stefano	●	—	—
Robert Dyson	●	●	●
Duncan Hunter	●	●	●
Non-independent Non-Executive Director			
Mark Tagliaferri	—	●	●

○ Chair ● Member

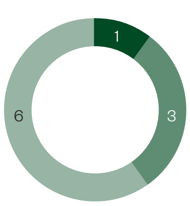
1. Independent on appointment, therefore complying with provision B.1.1 of the UK Corporate Governance Code.

The Group has six Non-Executive Directors in addition to the Chairman, of whom five are considered to be independent. Mark Tagliaferri represents GI Partners, the Group's largest shareholder, and is therefore not considered to be independent. The membership of Board committees comprises a majority of independent Non-Executive Directors. Duncan Hunter has been appointed as Senior Independent Non-Executive Director and acts as a support to the Chairman on governance issues. He also provides an alternative channel of communication between the Chairman and other Directors.

The Non-Executive Directors, led by the Senior Independent Director, meet at least annually without the Chairman or the Executive Directors present. The Chairman also holds regular meetings with the Non-Executive Directors. The Board meets informally on a regular basis to facilitate discussions on the Group's business and the wider environment outside the more formal structure of a Board meeting.

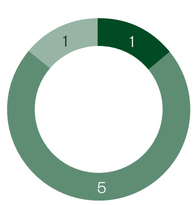
Balance of the Board

Composition



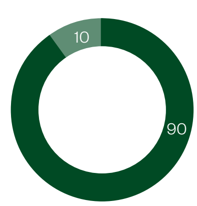
- Non-Executive Chairman
- Executive Directors
- Non-Executive Directors

Independence of Non-Executive Directors



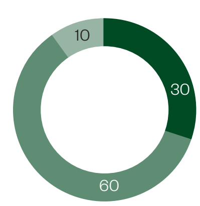
- Chairman – independent on appointment
- Independent
- Non-independent

Board gender diversity %



- Male
- Female

Board tenure %



- 0 – 3 years
- 3 – 6 years
- >6 years

Division of responsibilities

There is a division of responsibilities of the Chairman, Chief Executive, Managing Director and Finance Director, which has been clearly established and approved by the Board. Their roles and responsibilities are summarised in the chart below.

	Chairman	Chief Executive	Managing Director	Finance Director
Leadership				
Leadership of the Board	■			
Leadership of the Company		■	■	
Ensure constructive communications between Executive and Non-Executive Directors	■			
Strategy				
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		■	■	
Effective implementation of Board decisions		■		
Risk management				
Ensure appropriate delegation of authority from Board to management	■			
Day to day responsibility for risk management and internal controls		■	■	■
Finance				
Financial strategy and management, including budget, banking and debt				■
Governance				
Promotion of high standards of corporate governance	■			
Ensure that new Directors participate in an appropriate induction programme and that ongoing development needs of the Directors are met	■			
Responsibility for ensuring performance of the Board, committees and individual Directors is assessed at least annually	■			
Investor relations				
Representation of the Company to stakeholders and communication with shareholders	■	■		

Chairman: Alan Dickinson
Chief Executive: Nigel Hugill
Managing Director: Robin Butler
Finance Director: David Wood

During the year the Board has sought to further strengthen the working relationship with the executive management team and to increase the effectiveness of all delegated authorities. In order to optimise the running of the business as a whole, a new Executive Management Committee (EMC) has been put in place to oversee the implementation of Board strategy and policies and to provide feedback from a wider executive team of views and comments on such matters to the Board. The EMC may also make recommendations on Group strategy and policies to the Board.

The EMC will meet six times a year with meetings scheduled to be co-ordinated ahead of Board meetings, thus providing relevant and current comment to the Board on any matters of significance. The EMC will be fully accountable to the Board and minutes of the meetings will be made available to the Board. Where matters of specific interest or relevance to a particular Non-Executive Director arise, that Non-Executive Director can attend the EMC meeting.

Three other committees will report into the EMC, one of which is existing and two of which are newly formed. The existing is the board of Catesby Estates, which meets on a quarterly basis and whose board papers will be made available to the EMC. The second two newly formed committees have been put in place to co-ordinate and standardise the delivery process across the commercial and strategic land portfolios. The Commercial Development Committee (CDC) will supervise the delivery of the commercial portfolio and the Strategic Development Committee (SDC) will carry out the same task for the strategic sites. Both committees will be responsible for preparing the annual business plan for each project and for monitoring its delivery. These two committees will meet on a quarterly basis and the minutes of the meetings will be made available to, and reviewed by, the EMC.

The committee structure, which is summarised on page 82, is in its early stages and a more detailed report on its activities will be provided in next year's corporate governance report.

Executive Management Committee

Membership:

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

Role:

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

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

Leadership structure

Leadership
The Board

Key responsibilities:

- Long-term success of the Group.
- Setting long-term strategy and overseeing its implementation.
- Leadership and direction.
- Risk management.
- Overall financial performance of the Group.
- Corporate Governance.

Senior Management

Company Secretary

Effectiveness
Nomination Committee

Key responsibilities:

- Review of the structure, size and composition of the Board and its committees.
- Oversee succession planning for the Board and senior management.
- Recruitment and appointment process for new Directors.

pages 90 to 97

Accountability
Audit Committee

Key responsibilities:

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

pages 98 to 103

Remuneration
Remuneration Committee

Key responsibilities:

- Review and recommend to the Board the remuneration policy.
- Review the Executive Directors' objectives and achievements.
- Determine the remuneration packages of the Executive Directors.
- Oversight of the remuneration policy for all employees.

pages 104 to 120

Executive Management Committee

Key responsibilities:

- Strategy – implementation of the Group strategy determined by the Board.
- Operations – oversight of the day to day management of the Group and its employees, including the progress and risk management of projects.
- Governance – implementation of all Group policies and legislation where applicable throughout the Group.
- HR/administration – oversight of the Group's HR function, office management and all staff issues.

Catesby Estates

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

Strategic Development Committee

Oversight and reporting on infrastructure projects.

Commercial Development Committee

Oversight and reporting on commercial projects.

Key activities of the Board during the year

	November 2016	December 2016	January 2017	February 2017	March 2017	May 2017	June 2017	July 2017	September 2017
Leadership and people									
Review of succession planning for Directors and senior management	■					■		■	
June Barnes appointed as Chair of the Remuneration Committee							■		
Jon Di-Stefano appointed to the Board as a Director and member of the Audit Committee									■
Review of the Executive Management Committee structure									■
Approved the renewal of the terms of appointment for the Chairman and the Non-Executive Directors who were appointed on 22 May 2014			■						
Reviewed the effectiveness of the Group's HR function, taking into account the size and culture of the Group									■
Strategy, property and operations									
Strategy days – reviewed strategy and business objectives				■				■	
Operational review by the assessment of property reports, updating the Board on progress at each of the Group's operations	■		■		■	■		■	■
Regular review of health and safety reporting, including (if any) incident reports at each of the Group's strategic and commercial sites, and the Group offices	■		■		■	■		■	■
Site visits by Non-Executive Directors	■		■	■				■	
Internal control and risk management									
Regular review of risk appetite and risk management	■		■		■	■		■	■
Reviewed reports by the Group's internal audit function, reporting on the progress and recommendations of the internal controls review	■		■		■	■		■	■
Finance									
Approved the Report and Accounts and announcement of results for the year ended 30 September 2016		■							
Regular review of financial reports including cash flows, budgets, loan summaries and covenant compliance	■		■		■	■		■	■
Approved the interim results for the six months to 31 March 2017						■			
Governance									
Directors' conflicts are recorded at each Board meeting	■		■		■	■		■	■
Approved the Group's diversity policy	■								
Approved the Group Modern Slavery and Human Trafficking Statement: www.urbanandcivic.com					■				
Reviewed the Company's compliance with the UK Corporate Governance Code								■	
Board evaluation: one-to-one interviews and review of Board papers		■	■						
Consideration of the Board evaluation results					■				
Suggestions arising from the Board evaluation and progress against recommendations are reviewed at each Board meeting						■		■	■
Updated the Group's share dealing code					■				
Investor relations									
Approved/recommended the payment of a dividend		■				■			
Shareholder analysis reports are reviewed regularly	■		■		■	■		■	■
Presentation of results to investors and analysts		■	■			■	■		
2017 Annual General Meeting			■						
Review of feedback from investor meetings, following the announcement of results			■					■	

The Board is ultimately responsible to shareholders for strategy, for the achievement of long-term sustainable success of the Company and for the good governance, objective risk assessment and effective leadership required to deliver the Group's objectives. The Board has adopted a formal schedule of matters reserved for its decision and agreed that, although a division in responsibilities between the Board and the management committees is important, it is vital to ensure that the Board retains control of key decisions. The Board has delegated specific areas of responsibility to the Nomination, Audit and Remuneration committees, which each have the authority to make decisions in accordance with their terms of reference. Each committee reviews its own terms of reference on an annual basis and any amendments to a committee's terms of reference are subject to Board approval.

Terms of reference can be found on **www.urbanandcivic.com/corporate-governance**

Items on the schedule of matters reserved for the Board include:

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

The Company Secretary, in consultation with the Chairman, ensures that the annual timetable of Board agenda items and the papers discussed at each meeting provide sufficient information and discussion throughout the year on the items included in the schedule of matters adopted by the Board. A rolling timetable of agenda items also ensures compliance with the UK Corporate Governance Code (the 'Code') and with any other regulatory requirements.

Board focus in the year ahead:

Leadership – Implementation of Group strategy.

Effectiveness – Ongoing succession planning and Board refreshment.

Accountability – Continued focus on risk management and internal audit review.

Remuneration – Implementation of the new remuneration policy.

Relations with shareholders – Continued programme of communication with shareholders.

Effectiveness

The Code requires that the Board, its committees and individual Directors should have the appropriate balance of skills, experience, independence and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively. The Board is of the view that the current Board and committee structure works efficiently and is in the best interests of shareholders and the Group as a whole. It believes it has an appropriate balance of Executive and Non-Executive Directors, taking into account the nature and size of the business. An externally facilitated evaluation of the Board and committees was undertaken by Independent Audit at the beginning of 2017. The review incorporated one-to-one interviews with all Directors and the Company Secretary and a comprehensive report was presented to the Board by Independent Audit. The report summarised the evaluation of performance and effectiveness and included recommendations for strengthening the Board further. Action points are now in progress but the overall conclusion was that the Board benefits from strong leadership by the Chairman, a group of Non-Executive Directors who bring useful and relevant knowledge and experience, and good support from, and communication with, management. A more detailed description of the evaluation process is included in the Nomination Committee report on page 96.

Board and committee attendance

The Board holds six scheduled meetings each year. In addition, a number of unscheduled Board and committee meetings are held to discuss ad hoc issues, urgent transactional matters or matters of a routine/administrative nature. Ad hoc meetings do not necessarily require full Board attendance but all Directors are given the opportunity to attend and/or comment on the proposals. The attendance record of the Directors at the scheduled Board meetings is shown in the adjacent table. Attendance at committee meetings is shown in the reports of the Audit, Nomination and Remuneration committees. Non-committee members of the Board attend committee meetings by invitation. All Directors in office at the time attended Board strategy meetings held in February and July 2017. Where Directors are unable to attend meetings, their comments are provided to the Board or committee chairman prior to the meeting and their views are reflected in discussions.

	Board 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	5/6
Jon Di-Stefano[1]	1/1
Robert Dyson	6/6
Duncan Hunter	6/6
Mark Tagliaferri	6/6

1. Appointed on 1 September 2017.

Appointments to the Board

During the year the Nomination Committee led a review of Board composition and succession plans, making recommendations to the Board that resulted in the appointment of June Barnes as Chair of the Remuneration Committee, succeeding Robert Dyson, and the appointment of Jon Di-Stefano as a Non-Executive Director and member of the Audit Committee. Further details are included in the Nomination Committee report on pages 90 to 97. The report includes details of the recruitment process, selection procedure and induction programme followed for the appointment of Jon Di-Stefano.

Appointments to the Board are made on merit against objective criteria with due regard to the balance of skills, experience, knowledge, diversity and independence of the Board to enable it to discharge its duties and responsibilities effectively. Current Non-Executive Directors have been appointed to ensure an appropriate balance of skills on the Board, taking into account a range of backgrounds and experience. The Nomination Committee leads the recruitment process for new Directors and makes recommendations to the Board.

Appointments to the Board continued

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

Expertise	Property	Finance and banking	Finance and accounting	Investor relations
Director				
Alan Dickinson	■	■		■
Ian Barlow			■	■
June Barnes	■			■
Jon Di-Stefano	■		■	■
Robert Dyson	■			■
Duncan Hunter		■		■
Mark Tagliaferri	■	■		

Time commitment

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

Professional development

Each Director is provided with a tailored induction on joining the Board including a comprehensive pack of information on the Group and its activities, guidance on specific areas of the Group's business, one-to-one meetings with fellow Directors, senior management and key advisers, a briefing by the Company Secretary on procedures and the legal and regulatory framework in which the Board operates, and visits to our key sites. Such an induction process took place for the appointment of Jon Di-Stefano, as described in the Nomination Committee report on page 94. An induction was provided to June Barnes on her appointment as Chair of the Remuneration Committee with briefings on the Group's remuneration policy, the operation of the Performance Share Plan and governance requirements. This took place by means of meetings with the Finance Director, the Company Secretary and the Group's remuneration advisers, Aon Hewitt. A tailored session on the requirements and responsibilities of the role of chair of remuneration committees was provided by a third party consultant.

Directors are expected to develop their understanding of the Group's operations and to regularly update their skills and knowledge. They are offered training and guidance to enable them to fulfil their duties effectively and are encouraged to attend relevant seminars and conferences, at the Company's expense. During the year, specific training has been provided through presentations at Board meetings by senior management and external advisers. Personalised one-to-one training sessions have also been provided to Non-Executive Directors throughout the year. The Company Secretary regularly provides briefings on corporate governance and regulatory updates by the provision of Board papers and presentations at Board meetings, or between meetings as required. The Finance Director also provides individual training sessions with Non-Executive Directors covering areas such as financial reporting, management reporting, the valuation process and risk management. A programme of attendance by senior management at Board meetings has been introduced which has assisted the Directors in their understanding of the Group's business and operations. Non-Executive Directors are also encouraged to visit our sites, which allows them to spend valuable time with project management and staff. The Non-Executive Directors visit the key sites at least annually, enabling them to see and monitor the progress first hand. Open communication between the Non-Executive Directors and management between Board meetings is encouraged.

Examples of Board training and development during the year:

Board

The Company's lawyers attended a Board meeting and provided a training session for Directors covering listed company requirements, corporate governance, cyber security, GDPR, corporate reporting and general HR issues.

Audit Committee

The Company's auditor attended an Audit Committee meeting to provide an update on corporate reporting requirements, including new standards in financial reporting. They also briefed the Committee on cyber security issues including understanding the nature of potential attacks, minimising the likely impact and how to respond.

Remuneration Committee

The Company's remuneration advisers presented a workshop to the Remuneration Committee to discuss the Company's current remuneration policy together with proposals for the new policy. Their briefing included an update on the regulatory and governance environment, including key developments in executive remuneration, a report on the implications of recent AGM activity and a benchmarking of Executive Directors' remuneration.

Individual Directors

New Director induction process for Jon Di-Stefano and introduction to the role of Remuneration Committee Chair for June Barnes. Tailored sessions for Non-Executive Directors with executive management.

Information and support available to Directors

Directors have access to the advice and services of a professionally qualified and experienced Company Secretary. The Chairman, supported by the Company Secretary, ensures that Directors receive sufficiently detailed information on all relevant matters for discussion on a timely basis. The Company Secretary is responsible for ensuring appropriate information is made available to the Board and its committees and for planning the agendas for the annual cycle of Board and committee meetings. Prior to all Board and committee meetings Directors receive agendas and supporting papers, in a form and of a quality to enable them to discharge their duties effectively, with sufficient time allowed for appropriate review. The Board papers, which facilitate discussion at the meetings, 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. In between scheduled Board meetings, ad hoc and transactional papers are circulated to Directors electronically to allow appropriate review and consideration. Objective and constructive challenge by the Non-Executive Directors is welcomed and all Directors are able to make further enquiries or requests for information if required. The Company Secretary facilitates professional development and ensures compliance with Board, regulatory and corporate governance procedures.

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

Directors are able to seek any further information or to take independent professional advice that they may require in the performance of their duties, at the expense of the Company. No Director sought any such advice during the year apart from June Barnes, who was provided with guidance from a third party on her appointment as Chair of the Remuneration Committee.

Annual re-election of Directors

Notwithstanding that the Company is not in the FTSE 350, the Board has adopted the policy that all Directors will be subject to annual election by shareholders in compliance with Code Provision B.7.1. Biographies of all Directors are on pages 76 to 78 and separate resolutions relating to their election or re-election are contained in the notice of meeting for the 2018 AGM, as circulated with this Annual Report. Robert Dyson has announced that he will not be seeking re-election at the 2018 AGM. The Board is satisfied that each of the Directors standing for election or re-election continues to be effective and demonstrates commitment to the role, and that their continued appointment is in the best interest of the Company. With the exception of Mark Tagliaferri, the Board confirms the independence of each Non-Executive Director seeking election or re-election.

Accountability

Audit Committee

Ian Barlow (Chairman of the Audit Committee), Duncan Hunter and Jon Di-Stefano (members of the Audit Committee) are all considered to have recent and relevant financial experience and the Board considers that the Audit Committee as a whole has competence relevant to the sector in which the Company operates. Further details are in the report of the Audit Committee on pages 98 to 103 and biographical details of all Directors are set out on pages 76 to 78.

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

Risk management and internal control

The Board is ultimately responsible for the Group's risk management and internal controls and, at each Board meeting, carries out a robust review of the Group's risks. The Board held a risk management workshop during the year, at which the Board discussed the Group's risk appetite and the Executive Management Committee structure and its role in risk identification, mitigation and reporting.

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. The Board has delegated responsibility to the Audit Committee to ensure that the framework and processes by which risks are identified and mitigated are effective and that residual risks after mitigation are within the Group's risk appetite. Further details of how this is achieved are contained in the risk review on pages 33 to 37.

Notwithstanding the importance and value of the involvement of executive management in the internal controls and risk management of the Group, the Board has appointed Grant Thornton to fulfil the internal audit function. Details of the scope of their work and the role and input of the Audit Committee in risk management are described in the report of the Audit Committee on pages 98 to 103.

Remuneration

This information is contained in the Directors' remuneration report on pages 104 to 120.

Relations with shareholders

Communication with shareholders

Communication with existing and potential shareholders is given a high priority and the Group undertakes regular dialogue with its shareholders. The Chairman, the Chief Executive and the Finance Director are the Group's principal representatives and hold meetings with investors, analysts and other interested parties throughout the year to communicate the Company's strategy and performance. Duncan Hunter, as Senior Independent Non-Executive Director, is available to meet with shareholders at their request to discuss any issues or concerns they have or, if other communication channels fail, to resolve queries raised. He is willing to hold meetings with shareholders whenever requested. No such requests were received from shareholders during the year. The Chair of the Remuneration Committee wrote to major shareholders in October 2017 outlining proposed changes to the remuneration policy, in advance of the binding vote at the 2018 AGM. More details of this process are found in the Directors' remuneration report on page 107.

An overview of major shareholders and feedback from meetings with investors and analysts is reviewed at each Board meeting, enabling Directors to develop an up-to-date understanding of the views of the Company's major investors. Meetings with shareholders are timetabled around the financial reporting calendar although shareholder engagement and communication also occur outside the key financial reporting dates, including presentations, one-to-one meetings, conferences and site visits.

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

Key investor activities:

- Presentation of the annual results for the year ended 30 September 2016 and the interim results for the six months ended 31 March 2017.
- Programme of meetings between the Chairman, Chief Executive and Finance Director and the Group's largest shareholders and analysts.
- Presentations to potential investors.
- Annual General Meeting held in February 2017.
- Property tours for investors and analysts.
- Consultation with major shareholders on the proposed changes to the remuneration policy.

Annual General Meeting

Shareholders are encouraged to participate in the Company's annual general meetings, which are attended by the Directors, who are available to answer any questions. In compliance with the Code, the Company will give shareholders at least 20 working days' notice of an annual general meeting. Details of the resolutions to be proposed at the 2018 AGM can be found in the notice of meeting circulated with this Annual Report. The 2018 AGM will be held on 8 February 2018 at 10.00 a.m. at The Savile Club, 69 Brook Street, London W1K 4ER. Details of the number of proxy votes for, against and withheld on each resolution will be disclosed at the meeting and will be posted on the website after the meeting.

The Company's annual general meetings provide an opportunity for shareholders to raise any questions or points of concern with Directors and to vote on the resolutions proposed. All Directors will attend the 2018 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 2017 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 2017

Nomination Committee

Committee Chairman

Alan Dickinson

Other members

Ian Barlow

June Barnes

Robert Dyson

Duncan Hunter

Mark Tagliaferri

Dear Shareholder,

I am pleased to present the report of the Nomination Committee for the year ended 30 September 2017. During the year the Committee continued its review of succession planning and Board composition, recommending to the Board the appointment of Jon Di-Stefano as an independent Non-Executive Director and the appointment of June Barnes as Chair of the Remuneration Committee, succeeding Robert Dyson. The Board also undertook its first externally facilitated evaluation process, which is described later in this report. The Committee met on four occasions during the year, with three scheduled meetings and one unscheduled meeting. A summary of the main activities of the Committee during the year, including the appointment and induction process for Jon Di-Stefano, is found in this report.

Membership and meetings

The membership of the Committee and attendance at the three scheduled meetings held during the year ended 30 September 2017 are shown below:

		Independent	Date of appointment to the Committee	Meetings attended/ eligible to attend
Alan Dickinson	Chairman	Yes[1]	22 May 2014	3/3
Ian Barlow	Member	Yes	1 September 2016	3/3
June Barnes	Member	Yes	22 May 2014	3/3
Robert Dyson	Member	Yes	25 March 2015	3/3
Duncan Hunter	Member	Yes	25 March 2015	3/3
Mark Tagliaferri	Member	No	22 May 2014	3/3

1. On appointment as Chairman.

The composition of the Committee complies with Provision B.2.1 of the UK Corporate Governance Code (the ‘Code’) with a majority of its members being independent Non-Executive Directors. The Company Secretary, who attends all meetings, is secretary to the Nomination Committee and provides advice and support as required. Other Directors attend the Committee meetings by invitation only.

Role and responsibilities of the Nomination Committee

The key responsibilities of the Nomination Committee are:

- to give adequate consideration to the succession planning and leadership needs of the Group;
- to lead the process for new appointments to the Board;
- to review regularly the size, structure and composition of the Board and its committees;
- to review the Board evaluation process; and
- to review the diversity policy of the Group.

The agendas and papers of the Committee meetings are established to ensure that the Nomination Committee fulfils its responsibilities in accordance with its terms of reference, which can be found on the Company's website at www.urbanandcivic.com. The Company Secretary sets the agendas for all meetings, which are discussed with the Chairman in advance. The annual timetable of agenda items ensures that the Committee fulfils its function under the terms of reference and meets all obligations required under corporate governance and other relevant regulations.

Main activities

The main activities of the Committee during the year were as follows:

- The Committee has devoted much time to the issue of Board succession and continues to progress plans of a phased rotation and refreshing of Directors.
- Review of the role potential and succession plans for senior management on a short, medium and long-term basis, including the retention, motivation and development of senior executives and the level below them.
- Recommendation to the Board for the appointment of a new Non-Executive Director and a new Chair of the Remuneration Committee, as discussed later in this report.
- The Chairman oversaw the Board evaluation process and led discussions at Board meetings of the action points arising from the evaluation.
- Recommendation to the Executive Directors that an operational board committee be established. As a result, a structure of executive committees has been set up. Further details are contained in the Corporate Governance report on pages 81 and 82.
- The Committee addressed gender diversity in the Group and satisfied itself that recruitment practices were in line with the Group's diversity policy.
- Recommendation to the Board that each of the Directors be proposed for election or re-election at the 2017 AGM, following consideration of their performance.
- Approval of the Nomination Committee report for inclusion in the 2016 Annual Report and Accounts.
- Annual review of terms of reference.

Composition of the Board

In 2016, the Nomination Committee commenced a review of the composition of the Board. In light of the Company's non-compliance with the Code requirements at that time, it made recommendations to the Board that were subsequently adopted and reported on in last year's Annual Report and Accounts. The year ended 30 September 2017 represents the first full year under the structure of a separate Chairman and Chief Executive and I am pleased to report that the reorganisation has proved to be successful and beneficial to the Board. The division of responsibilities between the Chairman and Chief Executive has been established in writing and approved by the Board. Further details are contained in the Corporate Governance report on page 80.

During the year, Jon Di-Stefano was appointed as an independent Non-Executive Director and a member of the Audit Committee. Jon brings with him a wealth of financial and housing sector experience. As a serving executive on another board, we will learn and benefit from Jon's insight into board practice and governance procedures.

The process by which the Nomination Committee considered the candidates for the appointment is explained in this report.

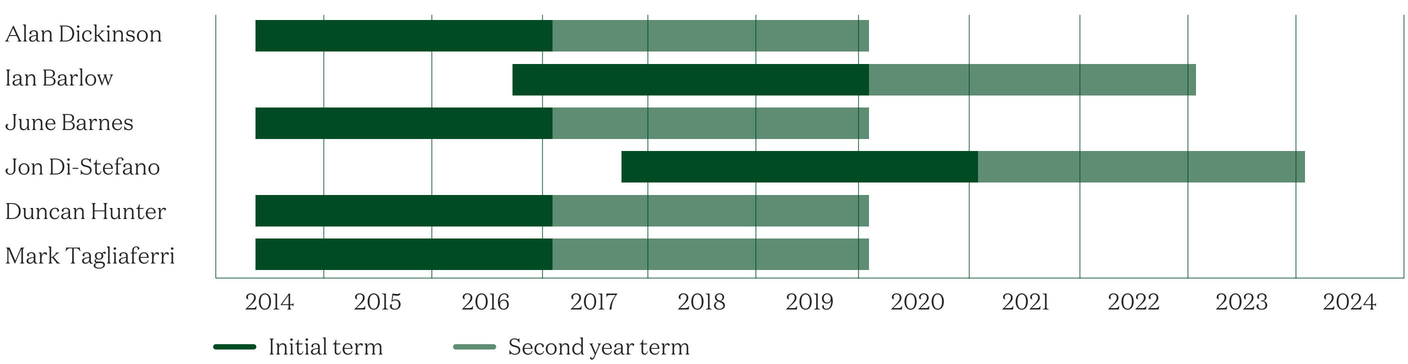
Other changes to the Board were the appointment of June Barnes as Chair of the Remuneration Committee, succeeding Robert Dyson, who has announced his intention to step down from the Board following the 2018 AGM. Robert will continue to be a member of the Remuneration Committee until the AGM and we are thankful for his valuable support and advice.

Following the changes over the last two years, the Board now consists of a Non-Executive Chairman, three Executive Directors and six Non-Executive Directors. The membership of the Board and committees is well balanced in terms of skills, effectiveness, experience and independence. I was considered to be independent on my appointment as Chairman and, of the six other Non-Executive Directors, five are considered to be independent.

Succession planning

The Nomination Committee regularly discusses issues relating to succession plans for Directors and senior management and the input of the Chief Executive and Managing Director in this process is valued. In reviewing succession planning for both Executive and Non-Executive Directors, the Committee considers the leadership needs of the Company and the balance of skills and experience of the Board, taking into account the balance between continuity and refreshment. During the year, the Committee undertook a review of the Group's senior management structure assessing the progression of senior executives to ensure that a suitable succession planning process is in place for the management layer below Board level. The Group's policy is to actively encourage executive management in their development and in the broadening of their experience and to seek to maintain their loyalty, which is demonstrated by the low staff turnover at management level. The Committee will continue to regularly review succession planning for the Board and senior management.

As part of ongoing succession planning discussions, the Committee gives due consideration to corporate governance guidelines on the length of service of Non-Executive Directors and has taken into account the fact that the appointment date of five of the seven Non-Executive Directors is deemed to be 22 May 2014, being the date of admission of the Company to the standard listing segment of the Official List and to trading on the London Stock Exchange. Non-Executive Directors are appointed to the Board for an initial term and will typically serve a second three-year term. A third term of up to three years may be served but this would be subject to a thorough review of the individual and of the Board as a whole, and of the need for the refreshment of the Board. A phased refreshment of the Board has commenced and the chart below demonstrates the length of service of the Non-Executive Directors.



Note: Robert Dyson has been excluded from this table as he will not be seeking re-election at the 2018 AGM.

JON DI-STEFANO'S INDUCTION TO THE BOARD

The Company Secretary organised a comprehensive induction programme for Jon Di-Stefano. This included meetings, briefings and site visits. One-to-one meetings were arranged with all Directors and also with the Company's audit partner. The Company Secretary provided guidance on the Group's policies and procedures on the legal, regulatory and governance framework of the Board, including compliance with the UK Corporate Governance Code and terms of reference of the Board committees. She also briefed Jon on Board procedures, such as the annual timetables of Board and committee agenda items, and Board papers. Jon is in the process of carrying out visits to our key strategic sites, accompanied on each visit by a member of our senior management team. This will enable Jon to gain a valuable overview not just of our operations but also of the senior management structure.

Appointment process

Appointments to the Board are made on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Nomination Committee leads the process for recognising the need for Board appointments, for the identification of candidates and for the recommendation to the Board for their subsequent appointment. The Board supports recommendations and guidance to promote greater female Board representation and gives this full consideration when proposing new appointments to the Board. The Board believes that the overriding policy for selection should be based on the best person for the role based on skills, knowledge, experience and ability to promote the success of the Company. When considering the appointment of Non-Executive Directors, the Committee also takes into account independence and the provision of an effective and constructive relationship with the Executive Directors. The Nomination Committee has previously decided that it would not impose a quota relating to gender balance at Board level, but gives full consideration to achieving a diverse working environment when considering the appointment of any new Directors.

When considering the appointment of Ian Barlow in 2016, the Nomination Committee appointed an executive search consultant, The Zygos Partnership ('Zygos'). At that time, Zygos identified a number of suitable candidates, both men and women, with a range of backgrounds and experience, and shortlisted five for consideration by the Nomination Committee. When considering the appointment of a new Non-Executive Director this year, we considered several candidates, including some who had been shortlisted last year. We considered each of the shortlisted candidates' skills, experience, background and personality "fit" with both the Board and the culture of the Urban&Civic Group. Following this review, Jon Di-Stefano was invited to meet the Directors and, as a result, the Nomination Committee recommended to the Board that Jon be appointed as a Non-Executive Director and member of the Audit Committee. We were delighted that Jon was available to accept the role and welcome him to the Board. As a serving executive director of Telford Homes Plc, we will benefit from the insight gained from his experience as a director of another listed company.

Zygos has adopted an industry standard voluntary code of conduct addressing gender and ethnic diversity. Zygos has no other connections to the Company.

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

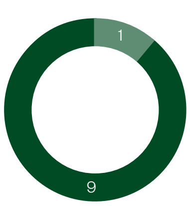
New Directors receive a tailored induction facilitated by the Company Secretary. Following his appointment, a comprehensive induction was organised for Jon Di-Stefano.

Diversity

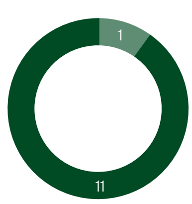
The Company is committed to a culture that promotes diversity, including gender diversity, and to achieving a working environment which provides equality of opportunity. The Board and senior management seek to encourage the recruitment, development and retention of a diverse workforce and to eliminate discrimination. Employees are expected to act in accordance with the Group's diversity policy. The Committee has reviewed the Group's recruitment practices and is satisfied that the screening, interview and selection process is broad ranging and in compliance with the Group's diversity policy. It is acknowledged that the property industry faces a challenge when recruiting as it is often the case that female candidates do not apply for roles in the industry. As a Group, we seek to recruit, encourage and develop both males and females but recruitment will always be driven by the availability of suitable candidates. The Committee will continue to monitor diversity within the Group.

Gender diversity of the Board, senior management and the Group as at 30 September 2017 is shown below:

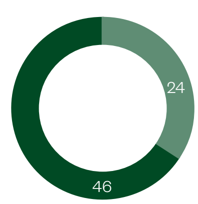
Board



Senior management (excluding Executive Directors)



All staff[1]



● Male ● Female

1. Excluding staff at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.

As part of our ongoing commitment to diversity within the Group, we intend to undertake a staff engagement survey which will incorporate a questionnaire seeking staff views on a variety of areas including Group culture, management, career progression, remuneration and diversity within the Group, and how employees view management's approach and attitudes to diversity.

Board evaluation

During the year under review, Independent Audit were engaged to carry out an externally facilitated evaluation of Board and committee effectiveness. They reviewed Board agendas and papers, processes and procedures and held confidential, in depth interviews with all Directors and the Company Secretary. They provided a detailed report on their findings which they presented to the Board and led a discussion about the recommendations. A list of action points was drawn up by the Company Secretary and the progress made is reviewed as a standing item on all Board agendas.

One area meriting discussion and action was the improvement of Board reporting. The Non-Executive Directors recognise that the information provided in Board papers has been plentiful and detailed but have encouraged the Executive Directors to provide more concise and streamlined reports. The Non-Executive Directors have worked with executive management to ensure they fully understand our information needs and recognise the importance of measuring performance against projections to enable a clear appraisal of progress, in conjunction with financial and risk analysis. The evaluation highlighted the open dialogue Directors have with management, which is invaluable in creating an effective and successful working relationship.

Following the review, we have introduced a programme of senior managers attending Board meetings, each making a presentation to the Board. This ensures a two-way process of communication between Non-Executive Directors and senior management. We have found it very useful and informative to have regular contact with senior management, which also aids our succession planning discussions.

We welcomed Independent Audit's feedback from Directors on the time allocation and quality of our discussions at Board meetings and have adjusted our agendas to make more effective use of our Board meeting time.

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

Board effectiveness review

Key recommendations from the 2017 Board evaluation process	Agreed actions/progress	Status
The Board to devote more time to discussion of risks and mitigating actions.	A special risk session took place in September 2017, in addition to the review of risk that takes place at each Audit Committee and Board meeting.	W-I-P
Executive Directors to be encouraged to continue embedding risk management across the organisation.	The establishment of the Executive Management Committee (EMC) will ensure that senior management considers risk from a "bottom-up" perspective.	W-I-P
Board composition to be reviewed and refreshed to ensure Non-Executive Directors bring the relevant skills and experience that the Group requires for the future.	The Nomination Committee has commenced a review of succession planning and will continually assess this in the coming year.	W-I-P
Board relationships to be enhanced by members spending more informal time together.	Informal meetings of the Board are now included in the Board calendar.	√
The Board to devote more time to oversight of leadership development.	The Managing Director prepares a six monthly update on the senior management structure, for review by the Nomination Committee.	W-I-P
Create opportunities for the Board to see a broader range of senior managers in the boardroom.	A member of senior management is invited to attend each Board meeting.	√
Executive Directors to be encouraged to provide information which is concise, highlights the key issues and shows clear progress against strategic objectives.	Executive Directors are overseeing the streamlining of reporting to the Board, a process led by the EMC.	W-I-P
The Board to make more effective use of Board meeting time and discussions.	Board agendas have been adjusted to allow more efficient time allocation at Board meetings.	√

Directors standing for election/re-election

The Board believes that the requirements of Code Provision B.7.1 of the UK Corporate Governance Code should be fulfilled, notwithstanding that the Company is not in the FTSE 350. This provision requires all Directors of such companies to be subject to annual election by shareholders and the Board has chosen to comply with this provision as it supports the view that shareholders should have the right to vote on each Director's re-election to the Board on an annual basis. The Board has considered the proposed reappointment of Directors at the Annual General Meeting to be held on 8 February 2018, at which the following resolutions relating to the appointment of Directors will be proposed:

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

As previously mentioned, Robert Dyson will not be standing for re-election at the 2018 AGM. He has worked in the property sector for over 40 years and advised this Company (and its predecessor, the Terrace Hill Group) for ten years. The Board is grateful to him for his contribution to the Group's success during his tenure as a Director.

Further biographical information on all Directors can be found on pages 76 to 78.

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

Alan Dickinson
Chairman of the Nomination Committee
27 November 2017

Audit Committee

Committee Chairman

Ian Barlow

Other members

June Barnes

Jon Di-Stefano

Robert Dyson

Duncan Hunter

Dear Shareholder,

I am pleased to present the report of the Audit Committee for the financial year ended 30 September 2017. During the year, Jon Di-Stefano, ACA was appointed as a member of the Committee, bringing with him extensive financial and housing sector experience. Together with my financial experience as a chartered accountant, having had a long career in finance and accounting, and Duncan Hunter's career as a managing director of finance at a leading investment bank, the Board is satisfied that three members of the Committee have recent and relevant financial experience working with financial and reporting matters. I am also chairman of the audit committees of two other listed companies. The Board considers that the Audit Committee as a whole has competence relevant to the sector in which the Company operates. All members of the Committee are independent.

The following report sets out the meetings and membership structure of the Committee, its role and responsibilities and details of its main activities during the year under review.

Meetings and membership structure

The membership of the Committee and attendance at the scheduled meetings held during the year ended 30 September 2017 are shown below:

		Independent	Date of appointment to the Committee	Meetings attended/ eligible to attend
Ian Barlow	Chairman	Yes	1 September 2016	5/5
June Barnes	Member	Yes	22 May 2014	5/5
Jon Di-Stefano	Member	Yes	1 September 2017	0/0[1]
Robert Dyson	Member	Yes	22 May 2014	5/5
Duncan Hunter	Member	Yes	22 May 2014	5/5

1. No meetings were held post his appointment date.

Meetings are aligned to the Group's financial and regulatory reporting timetable and a detailed schedule of annual agenda items, managed by the Company Secretary, ensures that the Committee complies with all matters required under the UK Corporate Governance Code and the duties and responsibilities under its terms of reference, which are reviewed annually to ensure ongoing compliance with regulatory developments.

The Company Secretary is secretary to the Committee. The Chief Executive and Finance Director attend all meetings of the Committee, to which the Chairman and the Group's external auditor are also invited. Other Executive Directors, senior members of the finance team and the internal auditor attend by invitation only, if required. The Committee is satisfied that it receives sufficient and relevant information from the Company's management, external auditor and internal auditor to enable it to fulfil its duties. The Chairman of the Committee provides a report to the Board following each Committee meeting on the matters discussed by the Committee. The Committee meets with the auditor without management being present at least twice a year. In addition to the scheduled Committee meetings, members of the Committee spend time with executive management to ensure a good understanding of the key issues to be considered by the Committee and to identify areas requiring further clarification or discussion at meetings.

Role and responsibilities

The Committee's role is to ensure the integrity of published financial information and to monitor controls within the Group. The Committee is also responsible for the supervision of the relationship with the external auditor, BDO LLP (BDO), including their performance and effectiveness, and ensuring an effective audit process.

The Committee's key responsibilities are to review and report to the Board on:

- financial reporting;
- risk management;
- internal controls;
- governance and compliance; and
- the external auditor.

The Committee's terms of reference can be found on the Company's website at www.urbanandcivic.com.

Main activities

The main activities of the Committee during the year were as follows:

During the year, the Committee has continued to focus on the development of the Group's approach to the management and reporting of risk and has overseen the reporting by Grant Thornton following their appointment to carry out an internal audit review. We commenced the internal audit process in 2016 and our work this year has been to develop an appropriate programme for 2017 and to agree the audit areas for 2018. Further details of the internal audit process are set out later in this report. The Committee also considered and agreed with the auditor the method for revenue recognition in compliance with both current and prospective accounting standards, following the sale of certain land parcels for the first time.

The Committee's work covers five main areas and our key work in these areas during the year ended 30 September 2017 is summarised below:

Financial reporting

During the year the Audit Committee has:

- reviewed the audited financial statements and preliminary announcement of the Group for the year ended 30 September 2016, including consideration of key accounting issues and areas of significant judgement. The Committee reviewed and discussed with the auditor the audit findings on the Group accounts for the year ended 30 September 2016. The Committee recommended the approval of the financial statements to the Board;
- reviewed the Company's going concern and viability statement for the year ended 30 September 2016, taking into account the business plan five-year forecast and equity requirements for the period to 30 September 2021;
- reviewed the investor presentation of the results for the year ended 30 September 2016 to ensure accuracy and consistency with the Report and Accounts;
- reviewed the Group's interim financial statements and announcement of results for the six months to 31 March 2017 and recommended their approval to the Board;
- engaged with executive management at an early stage on the 2017 audit timetable and the year-end timetable for the production of the Report and Accounts;
- reviewed the Audit Planning Report prepared by the external auditor in respect of the financial year ended 30 September 2017, confirming materiality thresholds and agreeing the key audit matters for consideration by the auditor as part of the audit; and
- considered and agreed with the auditor the key accounting treatments (including the method for revenue recognition within acceptable parameters of current and future accounting standards) and significant accounting judgements in respect of the Group's accounts for the year ended 30 September 2017 (as described on page 102), including:
  - the valuation of investment properties and carrying value of trading properties;
  - revenue and profit recognition policies.

Risk management

The Audit Committee reviews and approves the risk management framework and processes, which are also reviewed by the Board. The Board has recently established an Executive Management Committee and one of its key responsibilities will be to review risks at project level and report up to the Board.

The main activities of the Committee during the year continued:

The Board has ultimate responsibility for risk and a report on risk management is set out on pages 33 to 37. During the year, the Committee has:

- reviewed and discussed the risk appetite of the Group prior to a discussion and adoption by the Board, which has overall responsibility for determining the nature and extent of the principal risks it is willing to take in achieving strategic objectives;
- identified and evaluated risks at a strategic and project risk level and discussed risk management controls and mitigation actions with management. A risk matrix was then submitted to the Board for approval;
- reviewed risk management reporting and driven more regular and formal reviews of the key risks facing the Group and the related risk mitigation. Management prepares a risk matrix for regular review by the Committee, which provides details of key risks and the impact of controls. The Committee reviews the likelihood, impact and mitigation of risks and approves the resulting risk rating. Further details of the key risks facing the Group are contained in the risk review on pages 33 to 37; and
- approved the new management committee structure, set out in the Corporate Governance report on page 82, to ensure appropriate and adequate "bottom-up" reporting on project risk.

Internal controls
Following an assessment of the Group's internal controls structure in 2016, the Committee appointed Grant Thornton to provide an internal audit service to the Group and to report on and provide assurance on the adequacy of the internal financial and non-financial controls.

During the year, the Committee:

- approved the engagement letter and fees for the internal audit review;
- approved the internal audit plan for 2017 and 2018, agreeing a detailed annual plan and a higher level long-term plan;
- reviewed the findings from audits of the risk management framework, management and development of projects and procure to pay processes; and
- monitored the follow-up of actions identified and recommended by the reports.

Governance and compliance
The Audit Committee has:

- reviewed all declarations made under the Group's Gifts and Hospitality policy above an agreed threshold on a six-monthly basis;
- reviewed the Committee's compliance with the FRC Guidance on Audit Committees, published in April 2016. The Committee is satisfied that it complies with the guidance;
- reviewed the performance evaluation of the Committee. During the year, the Board carried out a performance evaluation process for the Board as a whole and its committees, as described in the report of the Nomination Committee on page 96. The Audit Committee concluded that meetings are conducted in a focused and efficient way with a strong discipline over the year-end financial reporting process. The progress of risk management and internal controls review was commended, although with acknowledgement that there is further work to be done;
- approved revisions to the Committee's terms of reference which reflected the appointment of an outsourced internal audit function and the publication of best practice guidelines in April 2017, following the introduction in 2016 of the revised UK Corporate Governance Code and the FRC Guidance on Audit Committees; and
- received development training from BDO on corporate reporting requirements and cyber security.

External auditor
The Audit Committee has:

- approved the terms of engagement and the fees of the auditor for work related to the review of the interim results for the six months to 31 March 2017 and for the audit for the year ended 30 September 2017. Audit and non-audit fees are disclosed in note 3 to the consolidated financial statements on page 143;
- reviewed at each meeting any fees paid to the auditor. The Committee is satisfied that these are within the Group policy for the agreement and authorisation of non-audit services and do not compromise their independence;
- reviewed the effectiveness of the auditor and the audit process, concluding that both were effective. The Committee members each reviewed an effectiveness questionnaire which was discussed at a Committee meeting. The Committee also considered the feedback from executive management. The effectiveness and independence of the auditor are discussed later in this report; and
- received assurance from BDO of their independence and objectivity.

Financial year ended 30 September 2017

Since the year end, the Committee has reviewed and recommended for Board approval the Annual Report and Accounts and preliminary announcement for the year ended 30 September 2017 and the investor presentation of results. The Committee is satisfied with the accuracy and consistency of information included in the Annual Report and Accounts for the year ended 30 September 2017 and that, taken as a whole, they are fair, balanced and understandable and that the financial statements represent a true and fair view of the financial state of the Group. The Committee has reviewed the assumptions upon which the going concern principle has been adopted for the preparation of the financial statements and approved the long-term viability statement, which is set out on page 32.

Financial reporting and significant judgements

The significant areas of judgement considered by the Committee and assessed with the external auditor in relation to the year ended 30 September 2017 were as follows:

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

It is important to value the Group's property interests in order to ascertain the fair value of investment properties and the carrying value of trading properties, which are held at the lower of cost and net realisable value. Property valuations also inform the calculations of EPRA NAV. At 30 September 2017 the total EPRA value of all the Group's property interests was £551.3 million, which was made up of investment properties, trading properties, properties within property, plant and equipment and the Group's share of properties held by joint ventures and associates. Independent valuers, CBRE Limited, valued 76 per cent of the property interests and the Directors valued the remaining 24 per cent, with around half of this 24 per cent being referenced to sales subsequent to the year-end.

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

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

2. Revenue and profit recognition

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

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

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

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

Assessment of the effectiveness and independence of the external auditor

BDO has been the auditor to the Urban&Civic Group since its Listing in May 2014 and was previously auditor to the Terrace Hill Group. The Committee has reviewed the requirements relating to the tender of auditors and concluded that the date of appointment of BDO is deemed to be May 2014. A competitive tender will therefore be required by 2024. Thomas Edward Goodworth became our new audit partner during the year ended 30 September 2016 and, since audit engagement partners are only required to rotate every five years, a rotation will not be required until the year ending 30 September 2021. The Company supports BDO's policy that senior management of the audit team should rotate after seven years.

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

The Committee agrees that BDO remain effective in their role as external auditor and recommends to the Board that they be reappointed for a further year. A resolution to this effect will be proposed at the 2018 AGM.

2018 priorities

Outside of financial reporting related to the half year and year-end processes, the Committee's key focus for the year ended 30 September 2018 will be the ongoing assessment of risk management within the Group, the review of enhanced reporting from management committees and the review of reports prepared by Grant Thornton as part of the ongoing internal controls programme. In the year ending 30 September 2018, the second phase of the internal controls review will take place, covering information security and control of IT related risk, the effectiveness of budgeting and forecasting processes, the processes for identifying, mitigating and controlling health and safety risks and a further review of projects. I will report on this process in next year's Audit Committee report.

I. E. Barlow

Ian Barlow
Chairman of the Audit Committee
27 November 2017

Directors' remuneration report

Committee Chair

June Barnes

Other members

Ian Barlow

Robert Dyson

Duncan Hunter

Mark Tagliaferri

Introduction

Dear Shareholder,
I am pleased to introduce the Directors' remuneration report for the year ended 30 September 2017, my first report since being appointed Chair of the Committee on 1 July 2017. The report for 2017 has been split into three sections, as follows:

	Pages
Introduction The introduction sets out the membership of the Committee and summarises and explains the major decisions taken by the Committee on Directors' remuneration in the financial year ended 30 September 2017. This section of the report contains a summary of the changes to the remuneration policy, which will be presented to shareholders for approval at the 2018 AGM.	104 to 109
Directors' remuneration policy report The 2018 AGM is the third anniversary from the approval of the remuneration policy in 2015, and marks its expiry. As a result, we have undertaken a comprehensive review of the Group's remuneration policy which is set out in full in this section of the report and sets out the basis of remuneration for the Group's Directors. The policy is subject to a binding vote at the 2018 AGM.	110 to 113
Annual report on remuneration The annual report on remuneration sets out the remuneration earned by the Group's Directors in the year ended 30 September 2017 together with how the policy (if approved by shareholders) will be implemented in the financial year ending 30 September 2018. The annual report on remuneration will be subject to an advisory shareholder vote at the 2018 AGM.	114 to 120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Introduction continued

Membership and meetings

During the year ended 30 September 2017, the Committee held six scheduled meetings and one unscheduled meeting. The membership of the Committee and attendance at the scheduled meetings are shown below:

		Independent	Date of appointment to the Committee	Meetings attended/ eligible to attend
June Barnes[1]	Chair	Yes	1 July 2017	1/2
Ian Barlow	Member	Yes	1 September 2016	6/6
Robert Dyson	Member	Yes	14 May 2014	6/6
Duncan Hunter	Member	Yes	14 May 2014	6/6
Mark Tagliaferri	Member	No	14 May 2014	5/6

1. Attended an additional three meetings during the year as an observer, prior to her appointment to the Committee on 1 July 2017.

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

Main activities during the year

The main activities of the Committee during the year were as follows:

- Review of the Remuneration Policy, as described below.
- Approval of the annual report on remuneration and disclosures in the 2016 Annual Report, including the disclosure of payments to past Directors.
- Review of Executive Director and staff bonuses and LTIP awards for the year ended 30 September 2016. The Committee approved LTIP awards of 200 per cent of salary for Executive Directors.
- Review of Executive Director and staff salaries for the year commencing 1 October 2016. The Finance Director's salary was increased on 1 July 2017, as disclosed in last year's annual report on remuneration. Other Executive Directors' base salary increases were in line with staff inflationary increases.
- Approval of bonus allocation for Executive Directors for the year ended 30 September 2016. This approval resulted from discussions of the performance of the Executive Directors, the attainment of objectives and their qualification for a bonus. The Committee approved the percentage of maximum bonus opportunity relating to personal objectives. Key performance areas assessed were finding new assets, the operation and development of existing assets, share price and cost management.
- Approval of Executive Director objectives (Company and personal) for the year ended 30 September 2017.
- Approval of the grant of awards under the Deferred Bonus Share Plan relating to the deferred element of the 2014, 2015 and 2016 bonus awards. The grant of these awards was delayed due to an administrative oversight, which has since been addressed.
- Review of the terms of reference. The Committee reviews its terms of reference annually. On my appointment as Chair of the Committee, I received induction training which included a briefing by the Company Secretary on the functions of the Committee, as set out in the terms of reference. In setting the agendas of the Remuneration Committee meetings, in consultation with me, the Company Secretary ensures that all matters under the terms of reference are appropriately dealt with by the Committee.
- Agreement of the scope and fees of the review of the remuneration policy by Aon Hewitt.
- Review of the remuneration structure of all Group employees and commencement of a review of how the staff remuneration policy compares with the Directors' policy.
- Criteria/banding for bonus payments and for eligibility for LTIP awards.
- Review of Group leavers during the year and reasons for leaving.

Review of the remuneration policy

The Committee has undertaken a comprehensive review of the current remuneration policy in advance of the second binding vote at the 2018 AGM. The policy was last approved by shareholders in 2015. As part of that review, we have taken into account a review of:

- market conditions;
- market practice;
- legislation and regulation;
- corporate governance and published guidance;
- motivation of executive management;
- views of shareholders and institutional investors;
- employment conditions in the Group; and
- group culture and values.

Our advisers made a presentation to the Committee at a workshop, discussing proposals for the new policy. I canvassed the views of all Directors and sought feedback from the Committee members after the workshop. A timetable of the steps involved in the proposal of the new policy was agreed, thus ensuring a comprehensive and timely review process.

The review was carried out with the purpose of ensuring a reward structure incorporating the provision of competitive awards for Executive Directors taking into account the performance of the Group and of individuals, the consideration of market comparisons and the attraction, retention and motivation of high calibre executives. We also wanted to reflect the relatively long-term business model of Urban&Civic. The reward structure is therefore designed to promote the delivery of the Group's strategic objectives and financial returns for shareholders and to align these objectives with the pay and incentives of the executives.

As part of the policy review, we gave our largest shareholders the opportunity to provide feedback on our proposals, as part of our continuing dialogue with them. A letter inviting consultation was sent to our largest shareholders and to two investor bodies. The Committee ensured that all the views of our shareholders expressed during the consultation were considered when formulating the revised Directors' remuneration policy.

We continue to value the engagement with, and support of, our shareholders.

Changes to the policy

The key changes between the new remuneration policy to be voted on at the 2018 AGM and the current policy, which was approved by shareholders at the 2015 AGM, are set out in the table below. In summary, the changes represent a shift towards long-term variable remuneration by reducing the annual bonus opportunity, reducing pension contributions for any new Executive Director, increasing the annual LTIP award, and significantly increasing share ownership guidelines.

Area	Current policy	New policy
Pension	15% of base salary.	No change for existing Directors. New Directors will have pension contributions set at 10% of base salary, in line with the rest of the workforce.
Annual bonus	Maximum opportunity of 175% of base salary. Half of the bonus is deferred in shares for two years.	Maximum opportunity of 100% of base salary. No bonus deferral.
LTIP	Annual awards of 200% of base salary.	Maximum annual awards of 300% of base salary for the CEO and MD, and 275% of base salary for the FD.
Share ownership guidelines	200% of base salary.	500% of base salary for the current CEO and MD. 250% of base salary for other Directors.

Other than those changes outlined above, we are not making any other changes to the remuneration policy.

Introduction continued

Performance and reward in the year to 30 September 2017

The Group's results for the year ended 30 September 2017 are discussed in the strategic report on pages 4 to 71. The Group has reported a total comprehensive income for the year of £6.8 million, IFRS net assets of £371.9 million and EPRA net assets of £439.3 million at 30 September 2017, 1.5 per cent and 7.2 per cent higher compared against the same respective net asset valuations at 30 September 2016. Reflecting performance against EPRA net asset growth targets and the individual performance of the Executive Directors against their personal objectives, annual bonus awards for the Executive Directors for the year ended 30 September 2017 were 109 per cent of salary (out of a possible 175 per cent) with 50 per cent of these amounts deferred into Urban&Civic shares for two years.

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 on page 116.

Performance Share Plan awards

Performance Share Plan (PSP) awards are due to vest based on performance from 22 May 2014 to 30 September 2017, as set out in the annual report on remuneration on page 116.

The Committee intends to grant awards under the 2018 PSP within six weeks of the 2018 AGM. While award levels and performance targets have yet to be determined, award levels will be within the normal maximum annual grant limits and performance metrics will be based on EPRA NAV and absolute TSR conditions. The introduction of an absolute TSR performance measure, which replaces the previous relative TSR measure, will directly align our executive team with the value created for shareholders over the long term. The Committee did consider retaining a measure of relative TSR but believes that the TSR peer group (the FTSE 350 Real Estate) comprises many companies exposed to markedly different market factors and operating in very different areas, for example, property rental in central London. An alternative peer group was considered, but there are too few comparable listed companies to form a robust group.

EPRA NAV and personal objectives

The Committee approved the EPRA NAV target and personal objectives for the Executive Directors for the year ended 30 September 2017. The Committee agreed that the EPRA NAV target should be set at a stretched level and that personal objectives should focus on the strategic priorities within the business with the aim of incentivising the executives to maximise performance. The EPRA NAV target and personal objectives are set out in more detail in the annual report on remuneration on pages 114 and 115.

Change of Directors

Jon Di-Stefano was appointed as a Non-Executive Director and member of the Audit Committee on 1 September 2017. The terms of his appointment were approved by the Board. I was appointed as Chair of the Remuneration Committee on 1 July 2017, in place of Robert Dyson. I would like to thank Robert for his chairmanship of the Committee and am grateful that he continues to act as a member of the Committee, offering his advice, knowledge and experience on the Group's remuneration policy and its operation. I wish him well when he steps down from the Board following the 2018 AGM.

There were no other changes to the Board during the year.

Share ownership guidelines

By adopting share ownership guidelines under which Directors are expected to satisfy a minimum shareholding requirement, we encourage a long-term ownership culture and an alignment of executive and shareholder interests.

Under the proposed policy the current Chief Executive and the Managing Director will be required to build, and then hold, 500 per cent of their base salary in the Company's shares. The Finance Director, and any other Executive Directors appointed to the Board in the future, will have a minimum shareholding requirement of 250 per cent. This represents an increase for all three Executive Directors from the current policy which stipulates a minimum shareholding requirement of 200 per cent. A two-year post-vesting holding period of awards made under the PSP is also in place. This will continue to apply under the new policy.

The year ahead

In the coming year, the main focus of the Committee will be to review the staff remuneration and benefits policy in operation and to look at areas where we can improve the investment in, and development of, staff. We intend to carry out a salary review for all staff every three years to ensure that benefits are in line with market practice, that they take account of the remuneration policy for Executive Directors and that they are appropriate for the staff employed. The first such review will take place in 2018. We are committed to retaining a well-motivated team of employees and as the Company headcount continues to grow, we undertake to ensure that Urban&Civic is a company that seeks to attract and retain high calibre individuals.

The Committee will also oversee the introduction of the new remuneration policy and its first year in operation.

2018 AGM/recommendation

The Committee unanimously recommends that shareholders vote to approve both the binding report on the remuneration policy and the advisory vote on the remuneration report at the 2018 AGM.

June Barnes
Chair of the Remuneration Committee
27 November 2017

INDEX TO KEY AREAS OF THE REMUNERATION REPORT

Introduction
pages 104 to 109

Summary of the differences between the proposed and current remuneration policy
page 107

Directors' remuneration policy report
pages 110 to 113

Summary of the policy
pages 110 to 111

Reward scenarios
page 112

Annual report on remuneration
pages 114 to 120

Directors' remuneration for the year ended 30 September 2017
page 114

Directors' shareholdings and share interests
page 118

Directors' remuneration policy report

Introduction and overview

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

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

Consideration of shareholder views

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

Consideration of employment conditions elsewhere in the Group

The Group employs around 70 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 will be submitted for approval at the 2018 AGM. The differences between this policy and the previous policy approved at the 2015 AGM have been set out on page 107.

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.

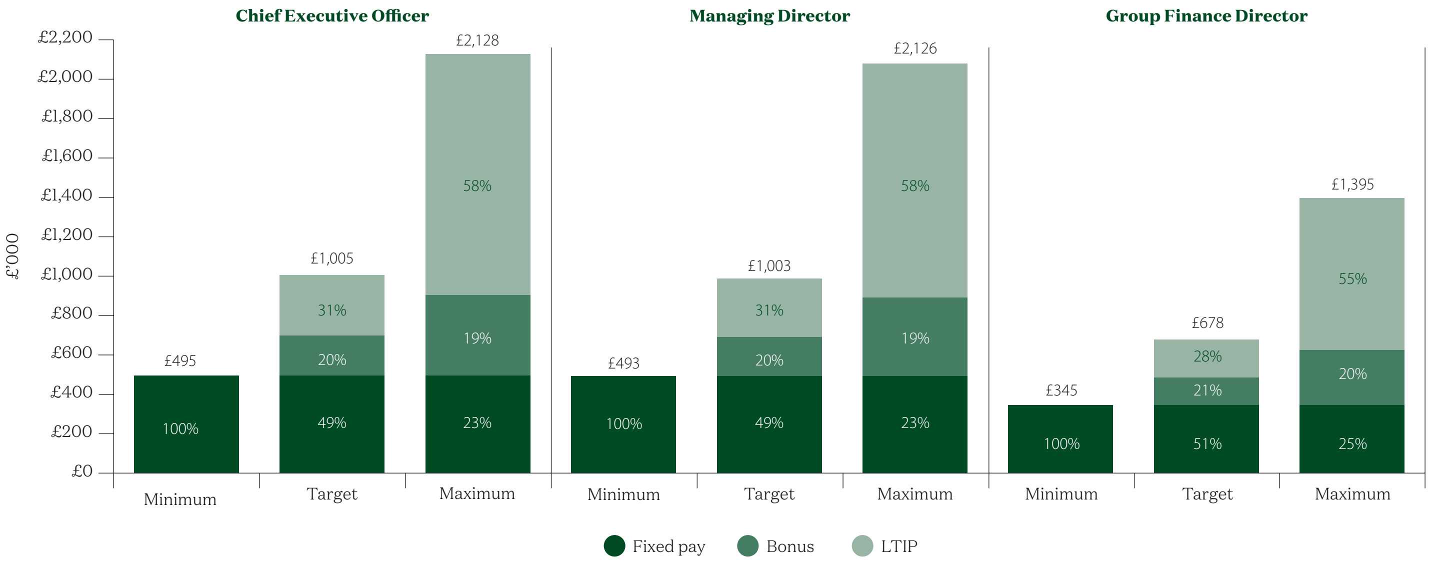
Element	How component supports corporate strategy	Operation	Maximum	Performance targets and recovery provisions
Executive Directors continued				
Annual bonus	To drive and reward annual performance of individuals, teams and the Group.	Based on performance during the relevant financial year. Bonus will 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.
Long-term incentives – Performance Share Plan (PSP)	To drive and reward the long-term performance of the Group and to align the interests of management with those of shareholders.	Awards granted under the PSP have the following features: • conditional awards or nil/nominal cost options; • vesting is dependent on the satisfaction of performance targets and continued service; and • awards are subject to a two-year holding period.	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 (from the 2018 AGM) 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, payment of last year's annual bonus and the vesting/exercise of share awards granted in the past). Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.

Directors' remuneration policy report continued

Reward scenarios

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



Notes:

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

Approach to recruitment and promotions

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

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. The annual bonus potential would be limited to 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 2017

Directors' remuneration

The details set out on pages 114 to 120 of this report are subject to audit.

	Basic salary/fees[1]		Benefits[2]		Bonus[3]		Long-term incentives[4]		Pension[5]		Total	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Executive Directors												
Nigel Hugill	**397**	385	**26**	25	**433**	207	**243**	—	**59**	58	**1,158**	675
Robin Butler[6]	**397**	385	**24**	23	**433**	207	**243**	—	**59**	58	**1,156**	673
David Wood[7]	**240**	58	**17**	4	**295**	29	**57**	—	**36**	9	**645**	100
Non-Executive Directors												
Ian Barlow[8]	**55**	5	**—**	—	**—**	—	**—**	—	**—**	—	**55**	5
June Barnes[9]	**42**	40	**—**	—	**—**	—	**—**	—	**—**	—	**42**	40
Alan Dickinson[10]	**125**	92	**—**	—	**—**	—	**—**	—	**—**	—	**125**	92
Jon Di-Stefano[11]	**3**	—	**—**	—	**—**	—	**—**	—	**—**	—	**3**	—
Robert Dyson[12]	**45**	46	**—**	—	**—**	—	**—**	—	**—**	—	**45**	46
Duncan Hunter	**55**	55	**—**	—	**—**	—	**—**	—	**—**	—	**55**	55
Mark Tagliaferri[13]	**40**	40	**—**	—	**—**	—	**—**	—	**—**	—	**40**	40

1. Basic salary/fees includes salary and fees received during the period that each Director was a Director of Urban&Civic plc.
2. Includes a fully expensed company car or cash alternative and private medical insurance.
3. Further information on the determination of annual bonus payments is set out in the information following this table.
4. The 2017 long-term incentive disclosure refers to the awards granted in 2014 which had a performance period which ran from 22 May 2014 to 30 September 2017. Following an assessment of performance, 27.7 per cent of the shares are expected to vest in early December 2017. 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 2017, which is 255.87p. These figures will be restated next year using the actual share price on the vesting date. Further details relating to performance targets, weightings and outcomes can be found on page 116.
5. Pension payments are made as a cash supplement to the Directors or directly to a pension scheme.
6. As permitted by the UK Corporate Governance Code, Executive Directors may be permitted to act as director of a non-Group company and to retain any earnings they receive for that role. During the year ended 30 September 2017, Robin Butler was a director of New Heritage Regeneration Limited and retained earnings of £20,000 for that role (2016: £20,000).
7. Appointed as a Director on 1 July 2016. Total remuneration stated is in accordance with the Directors' remuneration policy in relation to the period from 1 July 2016 to 30 September 2016. In addition the Company paid David Wood (as an employee) a bonus of £61,200 in relation to the period 1 October 2015 to 30 June 2016.
8. Appointed as a Director on 1 September 2016.
9. Appointed as Chair of the Remuneration Committee on 1 July 2017. Director's fee increased to £46,000 p.a. on that date.
10. Appointed as Chairman on 24 March 2016. Director's fee increased to £125,000 p.a. on that date.
11. Appointed as a Director on 1 September 2017.
12. Resigned as Chairman of the Remuneration Committee on 1 July 2017. Director's fee decreased to £40,000 p.a. on that date.
13. Mark Tagliaferri's annual fee is payable to GI Group.

Determination of the annual bonus for the year ended 30 September 2017

The annual bonus for the year ended 30 September 2017 was capped at 175 per cent of salary, with 70 per cent (up to 122.5 per cent of salary) based on growth in EPRA NAV and 30 per cent (up to 52.5 per cent of salary) based on personal objectives. 50 per cent of any bonus award is paid in cash and 50 per cent is deferred into shares for two years.

EPRA NAV at 30 September 2017 was £439.3 million. This resulted in 64.7 per cent of base salary (out of a possible 122.5 per cent) being payable to the Executive Directors. The targets for the year ended 30 September 2017, and the associated potential bonus payments, were as follows:

Annual bonus target	EPRA NAV	Bonus payable
Threshold	£418.2m	24.2 per cent of base salary
Target	£437.2m	61.3 per cent of base salary
Maximum	£468.6m	122.5 per cent of base salary

Determination of the annual bonus for the year ended 30 September 2017 continued

Personal objectives for the year ended 30 September 2017 were set to measure the individual performance of Executive Directors and included:

- the advancement of projects within the existing portfolio;
- ensuring ongoing pipeline supply of future projects to the core business;
- delivery of projects in line with budget and agreed timescales;
- specific targets for certain projects;
- ensuring effective communication with investors and the wider investment community;
- maintenance of high quality corporate governance;
- maintenance of satisfactory and beneficial banking relationships;
- management and development of financial reporting to the Board and the investor community;
- development of a capital allocation policy and treasury and tax strategies; and
- strong leadership across the Group and management and motivation of executives.

During the year, major projects were delivered on time and on budget, and acquisitions of strategic sites were made in line with our goals for the year and our capital allocation policy. Progress was made on planning applications, and excellent progress was made on the development of our treasury and tax strategies. In addition, as set out in the operational review, strong progress was made against our strategic objectives for our key sites.

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 of 44.6 per cent of base salary (out of a possible 52.50 per cent) being paid to current Executive Directors as set out in the table below.

Executive Director	Maximum amount payable	Actual amount payable
Current Directors		
Nigel Hugill	52.50 per cent of base salary	44.6 per cent payable
Robin Butler	52.50 per cent of base salary	44.6 per cent payable
David Wood	52.50 per cent of base salary	44.6 per cent payable

Board changes/payments for loss of office

During the year, Jon Di-Stefano was appointed as a Non-Executive Director and I was appointed as Chair of the Remuneration Committee, succeeding Robert Dyson who continues to act as a member of the Committee. All remuneration is in line with the Directors' remuneration policy.

There were no other changes to the Board during the year ended 30 September 2017.

Payments to past Directors

There were no payments to past Directors other than those which were disclosed in the remuneration report for the year ended 30 September 2016.

Annual report on remuneration continued

Performance Share Plan (PSP) awards in respect of the performance period ended 30 September 2017

The awards granted on 30 September 2014 are expected to vest in early December 2017. 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, 27.7 per cent of these awards will vest.

Measure	Threshold vesting (% of award)	Maximum vesting (% of award)	Threshold target	Maximum target	Achievement	Outcome
EPRA NAV growth	12.5%	50%	RPI + 3% p.a.	RPI + 12.5% p.a.	Actual EPRA NAV CAGR 9.3% equivalent to RPI + 7.1%	27.7%
Urban&Civic TSR rank vs. FTSE 350 Real Estate	12.5%	50%	Median rank	Upper quartile rank	Below median	0.0%
Total						27.7%

As a result of this performance outcome, the following number of shares will vest to the Executive Directors: Nigel Hugill 94,795 shares, Robin Butler 94,795 shares, and David Wood 22,160 shares.

Performance Share Plan (PSP) awards granted in the year ended 30 September 2017 which could vest in future years

On 7 December 2016, PSP awards were granted to Executive Directors equal to 200 per cent of base salary. 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 2016 under the PSP is set out below:

	Number of awards	Face value	Amount of base salary	End of performance period	Threshold vesting	Weighting (of award)	Performance condition and performance range
Nigel Hugill	387,302	£793,000	200%	30 September 2019	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]
Robin Butler	387,302	£793,000	200%	30 September 2019	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]
David Wood	224,664	£460,000	200%	30 September 2019	25%	50%	EPRA NAV growth[1]
					25%	50%	TSR vs FTSE 350 Real Estate[2]

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

Implementation of the remuneration policy for the year ending 30 September 2018

The following section sets out how the Remuneration Committee intends to implement the remuneration policy for the year ending 30 September 2018.

Base salary

Base salary levels for the Chief Executive and Managing Director have been increased by 3 per cent, and for the Finance Director by 3.7 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 2017 and 1 October 2016 are shown below:

Director	Title	2017	2016	% increase
Nigel Hugill	Chief Executive	**£408,395**	£396,500	3%
Robin Butler	Managing Director	**£408,395**	£396,500	3%
David Wood	Group Finance Director	**£280,000**	£230,000[1]	3.7%

1. Increased to £270,000 on 1 July 2017, as disclosed in last year's Annual Report and Accounts.

The next salary review date is expected to be 1 October 2018.

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 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 2018, the annual bonus structure will be changed from that operated in the prior year, as set out in the policy report on pages 110 to 113. 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 2018 are currently considered to be commercially sensitive although, as in previous years, retrospective disclosure will be provided in the 2018 annual report on remuneration. The Remuneration Committee retains discretion to reduce (but not increase) annual bonuses in the event that the share price diverges markedly from reported growth in EPRA NAV.

Long-term incentives

Shareholders will be asked to approve an amendment to the rules of the Performance Share Plan at the 2018 AGM. While 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 2017 to 30 September 2020. 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 2018 AGM.

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 2018. The Committee may withhold ('malus') or recover ('clawback') awards/payments within a period of three years from award in the event that the Company materially misstates its financial results, there is an error in assessing the performance targets and/or participants cease employment as a result of misconduct on the part of the individual.

Non-Executive Directors

Non-Executive Directors' fees are reviewed annually and an increase was approved by the Board to take effect from 1 October 2017.

Non-Executive Directors' fees as at 1 October 2017 and 1 October 2016 are shown below.

	2017	2016
Alan Dickinson	**£125,000**	£125,000
Ian Barlow	**£60,000**	£55,000
June Barnes	**£55,000**	£40,000[1]
Jon Di-Stefano	**£45,000**	n/a[2]
Robert Dyson	**£45,000**	£46,000[3]
Duncan Hunter	**£60,000**	£55,000
Mark Tagliaferri	**£45,000**	£40,000

1. Appointed as Chair of the Remuneration Committee on 1 July 2017 and fee increased to £46,000 on that date.
2. Appointed as a Non-Executive Director on 1 September 2017 on a fee of £40,000.
3. Resigned as Chairman of the Remuneration Committee on 1 July 2017 and fee reduced to £40,000 on that date.

It is expected that the Non-Executive Directors' fees will next be reviewed with effect from 1 October 2018.

Annual report on remuneration continued

Statement of Directors' shareholdings and share interests

Full details of performance share awards in the Company held by Executive Directors in office at 30 September 2017, together with details of awards granted to all Directors who held office during the year, are shown below:

	Number of awards	Date of grant	Share price at date of grant	Exercise price	Exercise period
Nigel Hugill	342,222	30 September 2014	233.5p	20.0p	30 September 2017[1] to 29 September 2024
	161,223	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
Robin Butler	342,222	30 September 2014	233.5p	20.0p	30 September 2017[1] to 29 September 2024
	161,223	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
	387,302	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026
David Wood	80,000	30 September 2014	233.5p	20.0p	30 September 2017[1] to 29 September 2024
	144,472	21 June 2016	238.8p	Nil	21 June 2019 to 20 June 2026
	224,664	7 December 2016	204.75p	Nil	7 December 2019 to 6 December 2026

1. Expected to vest in early December 2017, see table on page 116.

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]		% of salary for shareholding guideline[2]
	30 September 2017	30 September 2016	**30 September 2017**	30 September 2016	**30 September 2017[1]**	30 September 2016	
Current Directors							
Nigel Hugill	**1,256,936**	1,203,772	**84,051**	12,456	**890,747**	503,445	817%
Robin Butler	**1,260,649**	1,220,347	**84,051**	12,456	**890,747**	503,445	819%
David Wood	**92,657**	91,450	**21,678**	—	**449,136**	224,472	89%
Ian Barlow	**74,472**	43,600	**—**	—	**—**	—	n/a
June Barnes	**20,037**	10,000	**—**	—	**—**	—	n/a
Alan Dickinson	**88,889**	88,889	**—**	—	**—**	—	n/a
Jon Di-Stefano[3]	**—**	—	**—**	—	**—**	—	n/a
Robert Dyson	**175,699**	173,411	**—**	—	**—**	—	n/a
Duncan Hunter	**756,722**	677,456	**—**	—	**—**	—	n/a
Mark Tagliaferri	**—**	—	**—**	—	**—**	—	n/a

1. Details of the PSP awards of Executive Directors as at 30 September 2017 are shown in the table at the top of this page.
2. Based on the number of shares beneficially held, the share price at 30 September 2017 (258.0p) and the relevant base salary at 30 September 2017.
3. Appointed as a Director on 1 September 2017.

Directors' service contracts

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

Executive Directors

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

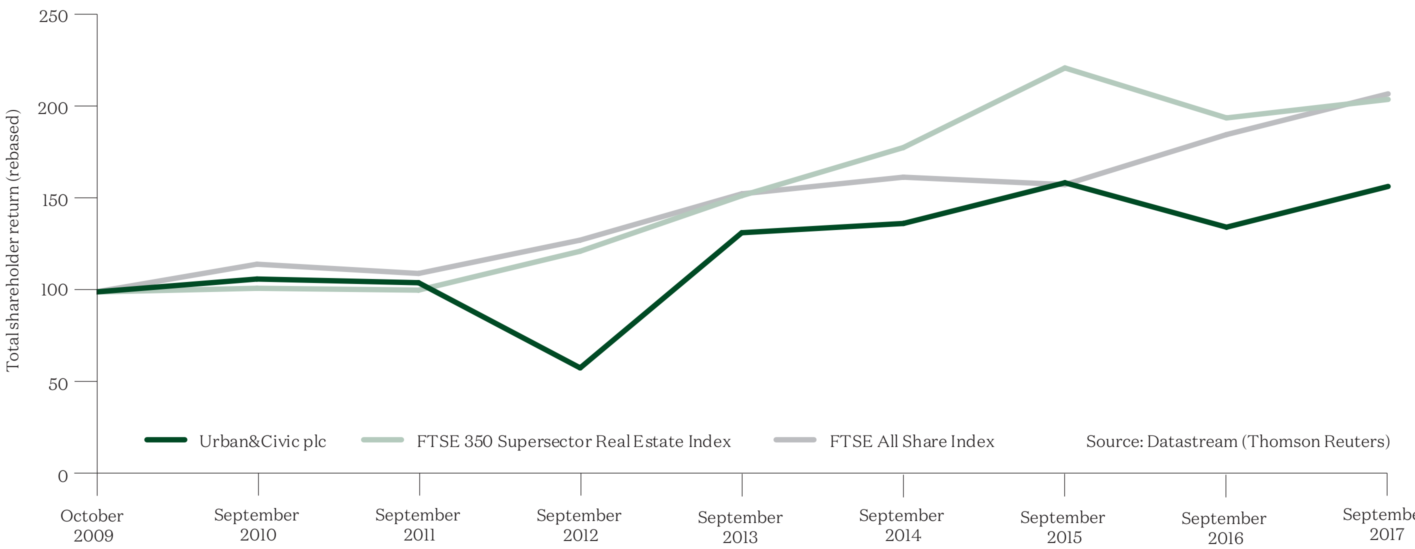
1. Contracts will continue until terminated by notice either by the Company or the Director.

Non-Executive Directors

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

TSR performance graph and table

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



Chief Executive eight-year history

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

Year	Incumbent	Single figure of total remuneration	Annual bonus pay-out against maximum[1]	PSP vesting against maximum opportunity
2016/17	Nigel Hugill[2]	£1,158,000	62%	27.7%
2015/16	Nigel Hugill	£675,000	31%	0%
2014/15	Nigel Hugill	£661,000	29%	0%
2013/14	Nigel Hugill	£515,000	n/a	n/a[3]
2013/14	Philip Leech[4]	£536,000	n/a	0%
2012/13	Philip Leech	£652,000	n/a	0%
2011/12	Philip Leech	£345,000	n/a	0%
2010/11	Philip Leech	£400,000	n/a	n/a[5]
2009/10	Philip Leech	£295,000	n/a	0%

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

Annual report on remuneration continued

Percentage change in remuneration of Chief Executive and employees

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000	% change
Chief Executive			
Salary	**397**	385	3.1
Benefits	**26**	25	4.0
Bonus	**433**	207	109.2
	856	617	38.7
Average employee[1]			
Salary	**96**[2]	116	(17.2)
Benefits	**6**	7	(14.3)
Bonus	**40**	36	11.1
	142	159	(10.7)

1. Excludes costs relating to staff employed at the Hampton by Hilton Hotel at Stansted Airport, which was sold on 16 October 2017.
2. Reflects a change in headcount and the make-up of the workforce.

Relative importance of the spend on pay

	Year ended 30 September 2017	Year ended 30 September 2016	% change
Staff costs (£'000)[1]	**9,572**	9,665	(1.0)
Dividends paid during the year (£'000)	**4,536**	3,930	15.4
EPRA net asset value (£m)	**439.3**	409.8	7.2
Total shareholder return (per cent)	**16.0**	(15.0)	206.7

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

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

The Committee determines the specific remuneration packages for each of the Executive Directors and no Director is involved in any decisions as to his own remuneration. The Committee has access to information and advice provided by the Chief Executive and the Group Finance Director and has access to independent advice (currently from Aon Hewitt) where it considers appropriate. Aon Hewitt does not provide any other services to the Company and was paid £74,227 in respect of the year ended 30 September 2017.

During the year, the Committee also took advice from CMS Cameron McKenna Nabarro Olswang LLP in relation to awards made under the Deferred Share Bonus Plan.

Statement of voting

At the 2017 AGM, shareholders voted in favour of the resolution to approve the annual statement and annual report on remuneration as follows:

Resolution	For the resolution[1]	%	Against the resolution	%	Votes withheld[2]
To approve the Directors' remuneration report, other than the part containing the Directors' remuneration policy as set out in the report and accounts for the year to 30 September 2016.	105,885,056	99.99	14,104	0.01	14,299

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

As at the date of the meeting there were 144,804,728 ordinary shares of 20p each in issue. Proxies amounting to 105,968,059 votes were received in respect of all resolutions.

June Barnes
Chair of the Remuneration Committee
27 November 2017

Introduction

The Directors present their report together with the audited accounts for the year ended 30 September 2017. The principal activities of the Group during the year continue to be property development and investment, both directly and through joint venture arrangements.

Additional disclosure

Additional information which is incorporated into this Directors' Report by 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 found in the following sections of the Annual Report:

	Section	Pages
Business model and strategy	Strategic report	5–9
Future business developments	Strategic report	40–59
Employee engagement	Strategic report	66
Long-term viability statement	Strategic report	32
Governance	Governance review	79–89
Capitalised interest	Financial statements	(Note 5) 146
Environmental matters	Strategic report	61–71
Greenhouse gas emissions	Strategic report	70
Financial instruments	Financial statements	(Note 19) 156–160
Principal risks	Strategic report	33–37
Related party transactions	Financial statements	(Note 26) 164
Details of long-term incentive schemes	Financial statements	(Note 24) 162–163
Contracts of significance	Financial statements	(Note 23) 161

Results and dividends

The Group reported a profit for the year of £6.8 million (2016: £20.8 million) as shown in the consolidated statement of comprehensive income on page 133. An interim dividend of 1.2p per share was paid on 21 July 2017 to shareholders on the register on 9 June 2017. A final dividend of 2.0p per share is recommended for approval at the 2018 AGM and, subject to shareholder approval, will be paid on 23 February 2018 to shareholders on the register on 12 January 2018. The total dividend paid during the year amounts to £4.5 million (2016: £3.9 million), of which 1.8p per share represents the 2016 final dividend and 1.2p per share represents the 2017 interim dividend.

Directors

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

	Title	Appointments during the year
Chairman		
Alan Dickinson[1]	Chairman	—
Executive Directors		
Nigel Hugill	Chief Executive	—
Robin Butler	Managing Director	—
David Wood	Group Finance Director	—
Non-Executive Directors		
Ian Barlow	Independent Non-Executive Director	—
June Barnes	Independent Non-Executive Director	—
Jon Di-Stefano	Independent Non-Executive Director	Appointed: 1 September 2017
Robert Dyson	Independent Non-Executive Director	—
Duncan Hunter	Senior Independent Non-Executive Director	—
Mark Tagliaferri	Non-Executive Director	—

1. Independent on appointment as Chairman.

Biographical details of the Directors are contained on pages 76 to 78.

Details of the Directors' remuneration and their interests in the shares of the Company are set out in the Directors' remuneration report on pages 104 to 120.

In accordance with the UK Corporate Governance Code, all of the Directors will offer themselves for election or re-election at the 2018 AGM with the exception of Robert Dyson, who has announced that he will not be seeking re-election at the 2018 AGM.

Directors' conflicts of interest

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

Directors' liability insurance and indemnity

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

Charitable and political donations

During the year to 30 September 2017, Urban&Civic donated £65,000 (2016: £33,000) to charity, including local youth, sports and social clubs, charities that help train the unemployed back into work and community environment charities. Further details are contained in the corporate social responsibility report on page 67.

Authority was granted at the 2017 Annual General Meeting (2017 AGM) to enable the Group to make political donations up to an aggregate amount not exceeding £150,000. That authority will expire at the 2018 AGM and a resolution will be proposed for its renewal. The Group made no political donations during the year (2016: £Nil).

Change of control

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

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

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

Substantial shareholdings

As at 27 November 2017, 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 2017	%
GIP U&C	40,447,293	27.90
Aberforth Partners LLP	14,581,508	10.06
Investec Wealth and Investment Limited	14,494,021	9.99
JO Hambro Capital Management Limited	8,387,301	5.79
APG Asset Management NV	7,500,000	5.17

Shares held in the Employee Benefit Trust

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

Group structure

Details of the Group's subsidiary undertakings and joint ventures and associates are set out in note 11 to the Company financial statements on pages 170 to 171.

Purchase of the Company's shares

The Company was granted authority at the 2017 AGM to purchase its own shares up to a total aggregate value of 10 per cent of the issued nominal share capital, subject to market-standard maximum and minimum price constraints. That authority will expire at the 2018 AGM and a resolution will be proposed for its renewal. During the year the Company, via the Employee Benefit Trust, purchased 110,846 ordinary shares of 20p each at a cost of £249,404. The Company does not currently hold any shares in treasury.

Share capital

Details of the Company's issued share capital are shown in note 20 to the consolidated financial statements on page 160. As at 30 September 2017, there were 144,964,808 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 2018 AGM specifies deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the meeting. There are no restrictions on voting rights other than as specified by the Company's Articles of Association.

At the 2017 AGM, the Directors were given the power to allot shares up to a nominal amount of one-third of the Company's issued nominal share capital, as well as additional authority to allot a further one-third on a rights issue. This authority expires at the 2018 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
24 February 2017	Scrip allotment	113,541
21 July 2017	Scrip allotment	46,539

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 2018 AGM of the Company will be held at The Savile Club, 69 Brook Street, London W1K 4ER at 10.00 a.m. on 8 February 2018. The special business at the 2018 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 approval of an amendment to the Group's Performance Share Plan, the authority to make political donations and the authority to call general meetings on not less than 14 clear days' notice. The notice of meeting, containing explanations of all the resolutions to be proposed at that meeting, is circulated with this Annual Report and Accounts.

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 2018 AGM for their reappointment and to authorise the Directors to determine their remuneration.

Going concern

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

In assessing going concern, the Directors have reviewed the Group's rolling five-year cash flow forecasts, loan maturities and undrawn facilities and have run sensitivities reflecting the Group's risk profile to ensure covenant compliance over the next 12 months. The Group's key risks are set out in the risk review on pages 33 to 37.

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

Disclosure of information to auditor

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

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

Post balance sheet events

Post balance sheet events are disclosed in note 27 to the consolidated financial statements on page 164.

The report of the Directors was approved by the Board on 27 November 2017.

By order of the Board

Heather Williams
Company Secretary
27 November 2017

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

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

Responsibility statement

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

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

The Directors' responsibility statement was approved by the Board.

On behalf of the Board

David Wood

David Wood
Group Finance Director
27 November 2017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F Financial statements

Urban&Civic Head office, London

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 2017 which comprise the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparing the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 30 September 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the Annual Report and Accounts, in relation to which ISAs (UK) require us to report to you whether we have anything material to add or to draw attention to:

- the disclosures in the Annual Report and Accounts set out on pages 33 to 37 that describe the principal risks and explain how they are being managed or mitigated; or
- the Directors' confirmation set out on page 88 in the Annual Report and Accounts that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or
- the Directors' statement set out on page 123 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 made in accordance with provision C.1.3 of the UK Corporate Governance Code is materially inconsistent with our knowledge obtained in the audit; or
- the Directors' explanation set out on page 32 in the Annual Report and Accounts as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 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, associates and other investments, owns a portfolio of properties which are held as either investment properties or trading properties. Investment properties owned directly by the Group, including those in the course of development, are held at fair value in the Group financial statements. Trading properties are carried in the consolidated balance sheet at the lower of cost and net realisable value and remeasured to fair value in the Group's EPRA NAV reporting. In respect of the properties held by joint ventures and associates, the Group has an indirect exposure to fair value changes, as the Group adjusts the carrying amount of these investments for changes in the fair value of the underlying investment property and adjusts the EPRA carrying amount of these investments for changes in the fair value of the underlying trading property. As described in the report of the Audit Committee on page 102 and in the Group's critical accounting estimates and judgements on page 142, determination of the fair value of investment properties and the carrying amount and fair value of trading properties is a key area of estimation and we therefore considered this to be an area of significant audit risk and focus. Each valuation requires consideration of the individual nature of the property, its location, its cash flows and comparable market transactions. The majority (by value) of the property interests held by the Group and its joint ventures and associates are in the course of development. The valuation of these properties requires the discounting of estimated future cash flows with deductions for costs to complete, which given the long-term nature of the developments requires significant judgements. Judgements in relation to future sales values and build costs in particular are impacted by the political and economic uncertainty arising from the result of the EU referendum. The valuation of the Group's income generating properties requires significant judgements to be made in relation to the appropriate market capitalisation yields and estimated rental values.	Our audit work included, but was not restricted to, the following: • We reviewed the design, implementation and appropriateness of the Group's controls relating to the valuation of investment and trading properties. The key controls were identified as being the appointment of independent experts to value the majority (76 per cent) of the Group's property portfolio and the processes by which the Group ensures that accurate data is provided to those experts. • We assessed the competency, qualifications, independence and objectivity of the external valuers engaged by the Group and reviewed the terms of their engagements for any unusual arrangements. • We obtained and read the valuation reports for all properties of the Group and its joint ventures or associates subject to valuation and confirmed that they had been prepared on a basis that was appropriate for determining the carrying value in the Group's financial statements. • The senior members of our team met with the Group's external valuer, CBRE Limited, independently of management to discuss and challenge the valuation methodology and key assumptions. • We tested the accuracy of the key observable valuation inputs supplied to and used by the external valuer and Directors as appropriate. In respect of the properties in the course of development, this primarily involved agreeing the costs incurred to date to supporting documentation and reviewing the costs to complete against the latest development appraisals and, where applicable, supplier contracts or other agreements. In respect of the income generating properties, this primarily involved agreeing the passing rental income and lease terms to underlying supporting documentation. • We compared the key valuation assumptions against our independently formed market expectations and challenged the valuer where significant variances from these expectations were identified. We then verified their responses to supporting documentation where appropriate. For the properties in the course of development, the key valuation assumptions were deemed to be the forecast gross development values, house price inflation, cost price inflation, developer profit margin and the risk adjusted discount rates. Our review of these assumptions included reference to comparable market transactions, the sales data now 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 and Newark). • We reviewed the appropriateness of the Group's disclosures within the financial statements in relation to valuation methodology, key valuation inputs and valuation uncertainty.

Key observations

Based on our work, we are satisfied that the valuation of the Group's investment properties and the carrying value of the Group's trading properties (both held directly and indirectly through joint ventures and associates) is appropriate and in line with the Group's accounting policies.

Key audit matters continued

Key audit matter	How we addressed the key audit matter in the audit
Revenue and profit recognition As detailed in note 2, the Group's results for the year include revenue and profit from the sale of residential land parcels and individual units on one of its strategic land sites. The Group's share of profit from joint ventures detailed in note 13 also includes the profits from the sale of residential land parcels on another strategic land site. The proceeds from the sale of land parcels to housebuilders under licence agreements are receivable in stages over the anticipated period of development. There is also a variable price element due to the Group at some point in the future which is dependent upon the sales price that the housebuilders achieve on each unit. The directly attributable costs of servicing each land parcel prior to sale include site-wide infrastructure costs. The Group has therefore had to develop a method for allocating costs so that the appropriate amount of profit can be recognised on each parcel sale. Where the Group makes direct sales of individual residential units, it has also had to develop a method to allocate the site-wide construction costs to each unit so that the appropriate amount of profit can be recognised on each unit sale. As described in the report of the Audit Committee on page 102 and in the Group's critical accounting estimates and judgements on page 142, a number of estimates have been made in determining the amount of revenue and profit to recognise from these transactions. We therefore identified the accounting for these sales to be an area of significant audit risk and focus. The Group's revenue also includes income from the sale of commercial trading properties, including land interests held through promotion agreements with the landowner. Proceeds from such sales should only be recognised once the risks and rewards of ownership have passed to the buyer, which is typically when contracts have been unconditionally exchanged. Sale transactions can also be structured such that the Group receives the proceeds as a series of staged payments over a period of more than one year. Given these complexities, we identified the recognition and measurement of this type of revenue to be an area of significant audit risk and focus.	Our audit work in relation to the recognition and measurement of revenue recognised from the sale of land parcels to housebuilders included, but was not restricted to, the following: • We reviewed the terms of each licence agreement to agree how the sales proceeds due to the Group will be determined and when they will fall due for payment. • We evaluated the revenue recognition policy applied to the fixed minimum amounts that are receivable over time under the licence agreements with housebuilders. • We reviewed and challenged the discount factor applied to these minimum receipts and reperformed the present value calculations. • We reviewed and evaluated management's assessment of whether a reliable estimate could be made of the future variable amounts receivable under the licence agreements with housebuilders at the balance sheet date. • We evaluated the recoverability assessment made by management in respect of the deferred sales receipts. Our audit work in relation to the recognition and measurement of profit from the sale of the residential land parcels included, but was not restricted to, the following: • We evaluated the method by which site-wide infrastructure costs have been allocated to each residential phase and then, where relevant, to each residential unit. • We tested a sample of actual infrastructure costs incurred to date and reviewed the expected costs to complete against the latest project appraisals and contracted costs. In respect of the recognition and measurement of profit from the sale of the individual residential units, we also revisited the method of allocating infrastructure and construction costs to each individual unit that was established in the previous year to evaluate whether this remained appropriate in light of current sales, costs and forecast data. Our audit work in relation to the recognition and measurement of income from the sale of commercial property interests included, but was not restricted to, the following: • We evaluated the revenue recognition policy applied to each of the significant disposal transactions. • We reviewed the terms of the relevant sales agreements to ensure that the Group had fulfilled its contractual obligations to entitle it to the revenue. • We reviewed and challenged the discount factor applied to any deferred sales receipts and tested the present value calculations. • We evaluated the recoverability assessment made by management in respect of the deferred sales receipts.

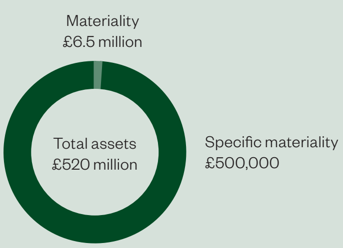
Key observations

Based on our work, we consider that the revenue and profit from the sale of residential land parcels and individual units on the Group's strategic land sites and the revenue from the sale of commercial trading properties has been recognised appropriately and is in accordance with the Group's revenue recognition policy.

Our application of materiality

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

The materiality for the Group financial statements as a whole was set at £6.5 million. This was determined with reference to a benchmark of Group total assets (of which it represents 1.2 per cent), which we consider to be one of the principal considerations for members of the parent company in assessing the financial performance of this asset-based Group.



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

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

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

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £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, and assessing the risks of material misstatement at the Group level. Audit work to respond to the assessed risks was performed directly by the Group audit engagement team who performed full scope audit procedures on the Group's two components, which included its joint ventures and associates. Our audit work at each of these components was executed at levels of materiality applicable to the relevant component, which in each instance was lower than Group materiality.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. 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 125 – the statement given by the Directors that they consider the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy is materially inconsistent with our knowledge obtained in the audit; or
- Audit Committee reporting set out on pages 98 to 103 – 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 79 to 89 – the parts of the Directors' statement relating to the Company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 125, 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

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

Our 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.

We consider that the audit procedures we have undertaken in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatement or other irregularities that would not be considered to be material to the financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were initially appointed by the Directors in April 2001 to audit the financial statements of the Company for the year ending 30 April 2001. In respect of subsequent periods we have been reappointed annually by the members at the Annual General Meeting. The period of total uninterrupted engagement is 17 years, covering the periods ending 30 April 2001 to 30 September 2017. However, for the purposes of the EU Mandatory Firm Rotation regulations, the period of total uninterrupted engagement is four years, covering the years ending 30 September 2014 to 30 September 2017.

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.

Thomas Edward Goodworth (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
27 November 2017

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

	Notes	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Revenue	2	**60,333**	95,168
Direct costs	2	**(44,402)**	(77,109)
Gross profit	2	**15,931**	18,059
Administrative expenses		**(14,691)**	(12,319)
Other operating income		**83**	24
Surplus on revaluation of investment properties	11	**4,949**	13,983
Share of post-tax profit from joint ventures	13	**1,271**	6,551
Write back/(impairment) of loans to joint ventures and associates	13	**1,500**	(417)
Loss on disposal of investment properties		**(143)**	—
Operating profit	3	**8,900**	25,881
Finance income	5	**245**	1,158
Finance costs	5	**(1,221)**	(1,180)
Profit before taxation		**7,924**	25,859
Taxation expense	8	**(1,113)**	(5,018)
Total comprehensive income		**6,811**	20,841
Basic earnings per share	9	**4.8p**	14.6p
Diluted earnings per share	9	**4.7p**	14.5p

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 137 to 164 form part of these financial statements.

as at 30 September 2017

	Notes	30 September 2017 £'000	30 September 2016 £'000
Non-current assets			
Investment properties	11	**79,111**	128,858
Property, plant and equipment	12	**5,100**	5,644
Investments in joint ventures and associates	13	**76,757**	51,047
Deferred tax assets	14	**4,240**	5,159
Trade and other receivables	16	**16,922**	—
		182,130	190,708
Current assets			
Trading properties	15	**289,707**	185,204
Trade and other receivables	16	**15,360**	60,474
Cash and cash equivalents	19	**12,190**	15,083
		317,257	260,761
Investment property held for sale	11, 27	**20,735**	—
		337,992	260,761
Total assets		**520,122**	451,469
Non-current liabilities			
Borrowings	18	**(69,824)**	(33,456)
Deferred tax liabilities	14	**(5,652)**	(5,473)
		(75,476)	(38,929)
Current liabilities			
Borrowings	18	**(24,026)**	(16,100)
Trade and other payables	17	**(48,740)**	(30,128)
		(72,766)	(46,228)
Total liabilities		**(148,242)**	(85,157)
Net assets		**371,880**	366,312
Equity			
Share capital	20	**28,993**	28,961
Share premium account		**168,648**	168,320
Capital redemption reserve		**849**	849
Own shares		**(4,003)**	(3,817)
Other reserve		**113,785**	113,785
Retained earnings		**63,608**	58,214
Total equity		**371,880**	366,312
NAV per share	22	**257.6p**	254.0p
EPRA NAV per share	22	**304.4p**	284.2p

The financial statements were approved by the Board and authorised for issue on 27 November 2017 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 137 to 164 form part of these financial statements.

Registered in Scotland No. SC149799

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Capital redemption reserve £'000	Own shares £'000	Other reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2015	28,801	168,186	1,948	849	(3,951)	111,985	40,010	347,828
Shares issued in part consideration for the acquisition of Catesby Property Group plc	148	—	(1,948)	—	—	1,800	—	—
Shares issued under scrip dividend scheme	12	134	—	—	—	—	—	146
Share option exercise satisfied out of own shares	—	—	—	—	1,163	—	(1,075)	88
Purchase of own shares	—	—	—	—	(1,029)	—	—	(1,029)
Share-based payment expense	—	—	—	—	—	—	2,368	2,368
Total comprehensive income for the year	—	—	—	—	—	—	20,841	20,841
Dividends paid	—	—	—	—	—	—	(3,930)	(3,930)
Balance at 30 September 2016	28,961	168,320	—	849	(3,817)	113,785	58,214	366,312
Shares issued under scrip dividend scheme	32	328	—	—	—	—	—	360
Deferred bonus award satisfied out of own shares	—	—	—	—	63	—	—	63
Purchase of own shares	—	—	—	—	(249)	—	—	(249)
Share-based payment expense	—	—	—	—	—	—	3,119	3,119
Total comprehensive income for the year	—	—	—	—	—	—	6,811	6,811
Dividends paid	—	—	—	—	—	—	(4,536)	(4,536)
Balance at 30 September 2017	**28,993**	**168,648**	**—**	**849**	**(4,003)**	**113,785**	**63,608**	**371,880**

for the year ended 30 September 2017

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Cash flows from operating activities		
Profit before taxation	7,924	25,859
Adjustments for:		
Surplus on revaluation of investment properties	(4,949)	(13,983)
Share of post-tax profit from joint ventures	(1,271)	(6,551)
Finance income	(245)	(1,158)
Finance costs	1,221	1,180
Depreciation charge	814	813
Write (back)/impairment of loans to joint ventures and associates	(1,500)	417
Write (back)/down of trading properties	(1,402)	7,108
Loss on sale of investment properties	143	—
Loss on sale of property, plant and equipment	15	—
Share-based payment expense	3,119	2,368
Cash flows from operating activities before change in working capital	3,869	16,053
Increase in trading properties	(54,714)	(27,103)
Decrease/(increase) in trade and other receivables	26,895	(25,609)
Increase in trade and other payables	1,705	1,716
Cash absorbed by operations	(22,245)	(34,943)
Finance costs paid	(1,608)	(505)
Finance income received	238	765
Tax paid	—	(127)
Net cash flows from operating activities	(23,615)	(34,810)
Investing activities		
Deferred consideration on acquisition of subsidiaries	—	(3,281)
Additions to investment properties	(14,792)	(15,803)
Additions to property, plant and equipment	(285)	(3,749)
Acquisition of loans in joint ventures	(3,300)	—
Loans advanced to joint ventures	(12,516)	(4,090)
Loans repaid by joint ventures and associates	2,432	895
Proceeds from disposal of investment properties	8,811	—
Net cash flows from investing activities	(19,650)	(26,028)
Financing activities		
New loans	62,114	37,541
Issue costs of new loans	(402)	(1,109)
Repayment of loans	(16,915)	(360)
Grant income received	—	1,000
Consideration received for transfer of own shares	—	88
Purchase of own shares	(249)	(1,029)
Dividends paid	(4,176)	(3,784)
Net cash flows from financing activities	40,372	32,347
Net decrease in cash and cash equivalents	(2,893)	(28,491)
Cash and cash equivalents at 1 October	15,083	43,574
Cash and cash equivalents at 30 September	12,190	15,083

1. Accounting policies

Basis of preparation

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

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and other non-current investments. The Company has elected to prepare its individual financial statements, on pages 165 to 171, 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 2017 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

Adoption of new and revised standards

There have been no new or revised accounting standards that have become effective during the year ended 30 September 2017 which have a material impact on the Group.

New standards and interpretations not yet applied

The IASB has issued or amended the following standards that are mandatory for later accounting years, are relevant to the Group and have not been adopted early. These are:

IFRS 9 'Financial Instruments' (effective date: 1 January 2018)

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

IFRS 16 'Leases' (effective date: 1 January 2019)

The Group is currently considering the impact of these standards on the financial position and performance of the Group, which will depend on projects undertaken at the time of initial application. However, an initial assessment has been undertaken of the impact should these standards have been adopted for the current period of account.

IFRS 9 'Financial Instruments' will be effective for the Group from the period beginning 1 October 2018 and applies to the recognition, de-recognition, classification and measurement of financial assets and financial liabilities as well as hedge accounting. Based on the current financial instruments held by the Group, it is not expected to have a significant impact on the Group's results, other than possible disclosure items.

IFRS 15 'Revenue from Contracts with Customers' will be effective for the Group from the period beginning 1 October 2018 and replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts'. IFRS 15 establishes a five-step principle-based approach to revenue recognition including identifying the contract, the performance obligations within the contract and the point at which these are satisfied, determining the transaction price and allocating it to the performance obligations. The principal impact on the Group is likely to be in respect of determining the transaction price where the Group will be required to estimate any variable consideration to which it is entitled at the point that the performance conditions of the contract are satisfied. Under certain land sales contracts, the Group is entitled to a minimum payment, with an additional overage receivable dependent on the onward house prices achieved following the construction of houses on the land by the purchaser. Currently, under IAS 18, the Group recognises the contractual minimums at the point of sale with the overage recognised when revenue can be measured reliably. Under IFRS 15, these overage amounts would instead be recognised to the extent that it is highly probable that there will not be a significant reversal of the cumulative amounts recognised. Were IFRS 15 to be applied to the current year results and the overage amounts estimated accordingly, additional revenue of approximately £7 million would be recognised within the income statement, with a corresponding receivable included within the balance sheet, as well as an increase in share of profits from and the investments in joint ventures of approximately £3 million. This acceleration of profits would result in an additional deferred tax charge of £2 million based on the tax rates currently in effect.

1. Accounting policies continued

New standards and interpretations not yet applied continued

IFRS 16 'Leases' will be effective for the Group from the period beginning 1 October 2019, and will result in the Group recognising a financial asset and liability on the balance sheet initially at the present value of all future lease payments it is obliged to make for any material leases for which it is the lessee. These are disclosed in note 25. For the year ended 30 September 2017, it has been estimated that this would lead to the recognition on the balance sheet of assets and liabilities of approximately £2.1 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 (estimated at £0.1 million) would be recognised as a finance cost. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

The above assessments are based on the assumption that the Group does not take advantage of any of the transitional provisions available within the new standards. The Group is currently considering the transitional provisions that are available but is yet to conclude whether or not it will elect to apply these.

Basis of consolidation

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

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

Business combinations

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

Joint arrangements

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

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

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

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

Associates

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

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

Investment properties

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

Investment properties are recognised as an asset when:

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

1. Accounting policies continued

Investment properties continued

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

An investment property undergoing redevelopment or refurbishment for continued use as an investment property will remain as an investment property measured at fair value and is not reclassified.

An investment property is classified as held for sale when it is available for immediate sale, management is committed to a plan to sell, an active programme to locate a buyer has been initiated and a sale is expected to occur within 12 months.

A transfer of a property from investment properties to trading properties will be made where there is a change in use such that the asset is to be developed or held with a view to sale.

Trading properties

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

All external and internal costs, including borrowing costs, directly associated with the purchase, promotion and construction of a trading property are capitalised up to the date that the property is ready for its intended use. Property acquisitions are recognised when legally binding contracts that are irrevocable and effectively unconditional are exchanged.

Properties reclassified to trading properties from investment properties are transferred at deemed cost, being the fair value at the date of reclassification.

Properties reclassified from trading properties to investment properties are transferred at cost when there is a change in use of the asset such that it is to be held for long-term rental income and or for capital appreciation.

Leases

Where the Group is the lessor, the Directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 'Leases' and in their judgement have determined that all such leases are operating leases. Rental income from operating leases is recognised in the consolidated statement of comprehensive income on a straight line basis over the term of the relevant lease.

Where the Group is the lessee, leases in which substantially all risks and rewards of ownership are retained by another party are classified as operating leases. The Directors have determined that all of their lessee arrangements constitute operating leases. Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the term of the lease.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at the date of transfer less accumulated depreciation and accumulated impairment losses. This includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all plant and equipment at rates calculated to write off the cost less estimated residual value, based on prices prevailing at the reporting date, of each asset over its expected useful life as follows:

Freehold property	–	shorter of expected period to redevelopment and 2 per cent straight line
Leasehold improvements	–	shorter of term of the lease and 10 per cent straight line
Furniture and equipment	–	20–33 per cent straight line

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration receivable, including the fair value of any residential properties received in part exchange, excluding VAT. The following recognition policies are applied:

Sale of property

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

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

1. Accounting policies continued

Revenue recognition continued

Rental and hotel income

Rental income arising from property is accounted for on a straight line basis over the term of the lease. Lease incentives, including rent free periods and payments to tenants, are allocated to the consolidated statement of comprehensive income on a straight line basis over the lease term as a deduction from rental income.

Hotel income includes revenues derived from hotel operations, including the rental of rooms and food and beverage sales. Revenue is recognised when rooms are occupied and services have been rendered.

Fees and other income

Fees from development management service arrangements and other agreements are determined by reference to the relevant agreement and recognised as the services are provided.

Taxation

Current tax

The charge for current taxation is based on the results for the year as adjusted for items that are non-taxable or disallowed. It is calculated using rates and laws that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains on investment property disposals that were recognised in prior periods is recorded as a current tax charge with a release of the associated deferred taxation.

Deferred tax

Deferred tax is provided using the balance sheet liability method in respect of temporary differences between the carrying amount of assets and liabilities in the consolidated balance sheet and the corresponding tax base cost used in computing taxable profit.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. It is recognised in the consolidated statement of comprehensive income except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Under IAS 12 ‘Income Taxes’, a deferred tax liability is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date.

Deferred tax balances are not discounted.

Share-based payments

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

Employee Benefit Trust

The Group is deemed to have control of its Employee Benefit Trust (EBT) and it is therefore treated as a subsidiary and consolidated for the purposes of the consolidated accounts. The EBT’s investment in the parent company’s shares is deducted from equity in the consolidated balance sheet as if they were treasury shares. Other assets and liabilities of the EBT are recognised as assets and liabilities of the Group. Any shares held by the EBT are excluded for the purposes of calculating earnings per share and net assets per share.

Retirement benefits

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the period to which they relate.

1. Accounting policies continued

Government grants

Government grants received in relation to property asset capital expenditure are generally deducted in arriving at the cost of the relevant asset. Where retention of a Government grant is dependent on the Group satisfying certain criteria, it is initially recognised in other loans. When the criteria for retention have been satisfied, the balance is netted against the cost of the asset.

Dividends

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

Impairment of non-financial assets (excluding trading properties, investment properties and deferred tax)

Impairment tests on the Group's property, plant and equipment and interests in joint ventures and associates are undertaken at each reporting date to determine whether there is any indication of impairment. If such indication becomes evident, the asset's recoverable amount is estimated and an impairment loss is recognised in the consolidated statement of comprehensive income whenever the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. The value in use is determined as the net present value of the future cash flows expected to be derived from the asset.

Financial instruments

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

Cash and cash equivalents

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

Trade and other receivables

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

Trade and other payables

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

Borrowings

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

Borrowing costs

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

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

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

1. Accounting policies continued

Critical accounting estimates and judgements

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

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

Valuation of investment and trading properties

For the purposes of calculating the fair value of its investment property portfolio and the net realisable value (and, for EPRA reporting purposes, the fair value) of its trading property portfolio, the Group uses valuations carried out by either independent valuers or the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuations are based upon assumptions including future rental income, sales prices, an estimate of typical profit margins, anticipated maintenance costs, future development costs and appropriate discount rates. Assumptions used in the valuations of the Group's significant property interests carried at valuation at 30 September 2017 are disclosed in note 11. The valuers and Directors also make reference to market evidence for comparable property transactions and principal inputs and assumptions.

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

Distinction between investment properties and trading properties

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

Capitalisation of administrative expenses

Administrative expenses are capitalised to investment and trading properties that are in the course of development. The amounts capitalised are estimated with reference to the time and resources spent on the projects in the year. These amounts are disclosed in notes 11 and 15 for investments and trading properties respectively.

Trading income

Revenue in respect of certain strategic land parcels is determined with reference to the onward house prices achieved following the construction of houses on the land by the purchaser following their acquisition, subject to agreed minimums. Following completion of the parcel sale, once all substantive conditions have been satisfied, revenue is recognised at the minimum amounts receivable discounted to adjust for the timescale over which these are to be received. The additional variable element of the revenue is recognised at the point where the Directors consider that a reliable estimate can be made of the actual amount receivable.

Cost of trading property sales

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

Taxation

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Group believes that its accruals for tax liabilities are adequate for all open years based on its assessment of many factors including past experience and interpretations of tax law. This assessment relies on estimates and assumptions and may involve judgements about future events. The Directors have also exercised their judgement in relation to the recognition of certain deferred tax assets and liabilities. In order to assess whether the Group should recognise a deferred tax asset or liability, the Directors consider the timing and likelihood of expected future profits along with how these expected future profits match up with the existing tax losses within specific Group entities.

Share-based payments

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

2. Revenue and gross profit

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Trading property sales	**8,002**	77,645
Residential property sales	**33,767**	410
Rental and other property income	**6,504**	6,872
Recoverable property expenses	**1,383**	1,278
Hotel income	**9,228**	8,222
Project management fees and other income	**1,449**	741
Revenue	**60,333**	95,168
Cost of trading property sales	**(3,237)**	(58,824)
Cost of residential property sales	**(28,912)**	(346)
Direct property expenses	**(4,549)**	(3,096)
Recoverable property expenses	**(1,383)**	(1,278)
Cost of hotel trading	**(7,723)**	(6,457)
Write back/(down) of trading properties	**1,402**	(7,108)
Direct costs	**(44,402)**	(77,109)
Gross profit	**15,931**	18,059

3. Operating profit

Is arrived at after charging/(crediting):	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Depreciation of property, plant and equipment – included in administrative expenses	**545**	456
Depreciation of property, plant and equipment – included in direct costs	**269**	357
Loss on disposal of property, plant and equipment	**15**	—
Impairment of trade receivables	**61**	31
Operating lease charges – rent of properties	**779**	779
Share-based payment expense	**3,119**	2,368
Capitalisation of administrative expenses to investment properties	**(725)**	(1,478)
Capitalisation of administrative expenses to trading properties held at year end	**(4,494)**	(4,374)
Capitalisation of administrative expenses to trading properties sold in the year	**—**	(1,265)
Fees paid to BDO LLP[1] in respect of:		
– audit of the Company	**151**	164
Other services:		
– audit of subsidiaries and associates	**101**	112
– audit of transition to FRS 102 (non-recurring)	**—**	15
– audit related assurance services	**36**	50
– other fees payable[2]	**—**	13

1. Total fees for 2017 payable to the Company's auditor are £287,500 (2016: £354,000). Of this, £251,500 (2016: £291,000) relates to audit services, £36,000 (2016: £50,000) to assurance services and £Nil (2016: £13,000) to other services.
2. Other fees payable to the Company's auditor in 2016 were principally for tax related work provided to certain subsidiary undertakings.

4. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors.

The two principal segments are strategic land and commercial property development. The strategic land segment includes serviced and unserviced land, consented and unconsented land and mixed-use development and promotion sites. The commercial segment includes city centre 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 2017

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	**44,419**	**15,914**	**—**	**60,333**
Other direct costs	(33,893)	(11,911)	—	(45,804)
Write back of trading properties	—	1,402	—	1,402
Total direct costs	(33,893)	(10,509)	—	(44,402)
Gross profit	**10,526**	**5,405**	**—**	**15,931**
Share-based payment expense	—	—	(3,119)	(3,119)
Other administrative expenses	—	—	(11,572)	(11,572)
Total administrative expenses	—	—	(14,691)	(14,691)
Other operating income	—	83	—	83
Surplus/(deficit) on revaluation of investment properties	5,899	(950)	—	4,949
Share of post-tax profit from joint ventures	1,065	206	—	1,271
Write back of loans to joint ventures	—	1,500	—	1,500
Loss on sale of investment properties	(143)	—	—	(143)
Operating profit/(loss)	**17,347**	**6,244**	**(14,691)**	**8,900**
Net finance income/(cost)	110	(1,086)	—	(976)
Profit/(loss) before tax	**17,457**	**5,158**	**(14,691)**	**7,924**

In the year ended 30 September 2017, there were three major customers that generated £15,509,000, £10,761,000 and £6,781,000 of revenue. Each of these represented 10 per cent or more of the total revenue.

4. Segmental information continued

Consolidated balance sheet
as at 30 September 2017

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	63,357	15,754	—	79,111
Property, plant and equipment	3,367	773	960	5,100
Investments in joint ventures and associates	74,154	2,603	—	76,757
Deferred tax assets	—	—	4,240	4,240
Trade and other receivables	16,922	—	—	16,922
Non-current assets	**157,800**	**19,130**	**5,200**	**182,130**
Investment property held for sale	—	20,735	—	20,735
Trading properties	202,262	87,445	—	289,707
Trade and other receivables	8,359	7,001	—	15,360
Cash and cash equivalents	—	—	12,190	12,190
Current assets	**210,621**	**115,181**	**12,190**	**337,992**
Borrowings	(33,812)	(36,816)	(23,222)	(93,850)
Trade and other payables	(23,687)	(25,053)	—	(48,740)
Deferred tax liabilities	(5,585)	—	(67)	(5,652)
Total liabilities	**(63,084)**	**(61,869)**	**(23,289)**	**(148,242)**
Net assets	**305,337**	**72,442**	**(5,899)**	**371,880**

Consolidated statement of comprehensive income
for the year ended 30 September 2016

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

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

4. Segmental information continued
Consolidated balance sheet
as at 30 September 2016

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

5. Finance income and finance costs

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Interest receivable from cash deposits	**33**	151
Unwinding of discount applied to long-term debtors	**149**	339
Other interest receivable	**63**	668
Finance income	**245**	1,158
Interest payable on borrowings	**(1,854)**	(929)
Amortisation of loan arrangement costs	**(266)**	(759)
Finance costs pre-capitalisation	**(2,120)**	(1,688)
Finance costs capitalised to trading properties	**899**	508
Finance costs	**(1,221)**	(1,180)
Net finance costs	**(976)**	(22)

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

6. Directors' remuneration
Details of the Directors' remuneration is given in the Directors' remuneration report on pages 104 to 120.

7. Employee benefit expenses

Employee benefit expenses (including Directors) are as follows:	**Year ended 30 September 2017 £'000**	Year ended 30 September 2016 £'000
Wages and salaries (including discretionary bonus)	**10,155**	9,933
Employer's National Insurance contributions and similar taxes	**1,363**	1,358
Defined contribution pension cost	**575**	812
Share-based payment expense	**3,119**	2,368
Total staff costs (including Directors)	**15,212**	14,471
Amount capitalised to investment and trading properties	**(3,002)**	(3,503)
Amount included within operating profit	**12,210**	10,968

Average number of employees during the year (including Directors)	**Year ended 30 September 2017 Number**	Year ended 30 September 2016 Number
Head office and property management	**79**	66

8. Tax on profit on ordinary activities

(a) Analysis of charge in the year

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Current tax:		
Adjustments in respect of previous periods	**15**	14
Total current tax	**15**	14
Deferred tax:		
Origination and reversal of timing differences	**857**	4,915
Adjustments in respect of previous periods	**241**	89
Total deferred tax	**1,098**	5,004
Total tax charge	**1,113**	5,018

(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 2017 £'000	Year ended 30 September 2016 £'000
Profit attributable to the Group before tax	**7,924**	25,859
Profit multiplied by the average rate of UK corporation tax of 19.5 per cent (30 September 2016: 20.0 per cent)	**1,545**	5,172
Expenses not deductible for tax purposes	**543**	550
Differences arising from taxation of chargeable gains and property revaluations	**(2,497)**	(1,755)
Tax losses and other items	**1,266**	1,089
Changes in tax rates	**—**	(141)
	857	4,915
Adjustments to tax charge in respect of previous periods	**256**	103
Total tax charge	**1,113**	5,018

(c) Associates and joint ventures

The Group's share of tax on the joint ventures and associates is £Nil (2016: £Nil).

9. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £6,811,000 (2016: £20,841,000) and on 143,300,624 (2016: 142,981,602) 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 £6,811,000 (2016: £20,841,000) and on 144,244,702 (2016: 144,230,321) shares, being the weighted average number of shares in issue and to be issued less own shares held and the dilutive impact of share options granted. 3,785,968 (2016: 1,939,129) of 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	2017 Number	2016 Number
In issue at 1 October	**144,804,728**	144,006,555
Effect of shares issued on acquisition of Catesby Property Group plc	—	359,456
Effect of shares issued under scrip dividend scheme	**75,933**	11,297
Effect of own shares purchased and transferred	**(1,580,037)**	(1,395,706)
Weighted average number of shares at 30 September – basic	**143,300,624**	142,981,602
Effect of shares issued on acquisition of Catesby Property Group plc	—	379,651
Dilutive effect of share options	**944,078**	869,068
Weighted average number of shares at 30 September – diluted	**144,244,702**	144,230,321

10. Dividends

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
Final dividend of 1.8p per share proposed and paid February 2017	**2,577**	—
Final dividend of 1.8p per share granted via scrip dividend	**239**	—
Interim dividend of 1.2p per share paid July 2017	**1,599**	—
Interim dividend of 1.2p per share granted via scrip dividend scheme	**121**	—
Final dividend of 1.65p per share proposed and paid February 2016	—	2,352
Interim dividend of 1.1p per share paid July 2016	—	1,432
Interim dividend of 1.1p per share granted via scrip dividend scheme	—	146
	4,536	3,930

The Directors are proposing a final dividend of 2.0p (2016: 1.8p) per share totalling £2,868,000. Dividends are not paid on the shares held by the Employee Benefit Trust. The dividend has not been accrued in the consolidated balance sheet at 30 September 2017.

11. Investment properties

(i) Carrying amount reconciliation

	£'000
Valuation	
At 1 October 2015	98,615
Additions at cost	19,685
Transfer to property, plant and equipment	(3,425)
Surplus on revaluation	13,983
At 1 October 2016	128,858
Additions at cost	15,292
Disposals	(8,954)
Surplus on revaluation	4,949
Transfer from trading properties	2,988
Transfer to trading properties	(43,287)
Carrying value at 30 September 2017	**99,846**
Lease incentives granted to tenants included within prepayments and accrued income	860
Portfolio valuation at 30 September 2017	**100,706**

	30 September 2017 £'000	30 September 2016 £'000
Classification		
Investment properties held for continuing use	**79,111**	128,858
Lease incentives granted to tenants included within prepayments and accrued income	**—**	509
	79,111	129,367
Investment properties held for sale (see note 27)	**20,735**	—
Lease incentives granted to tenants included within prepayments and accrued income	**860**	—
	21,595	—
Portfolio valuation at 30 September	**100,706**	129,367

(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 2017, £5,106,000 (2016: £4,430,000) 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 £3,011,000 (2016: £2,140,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2016: £Nil).

(iv) Restrictions and obligations

At 30 September 2017 and 2016 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 2017 was £76,773,000 (2016: £91,699,000), which included capitalised interest of £10,705,000 (2016: £10,705,000). There was no interest capitalised during the current or prior years. During the year staff and administrative costs of £725,000 (2016: £1,478,000) have been capitalised and are included within additions.

11. Investment properties continued

(vi) Transfer of properties

On 30 September 2017, based on the terms of the licensing arrangements being agreed or negotiated with housebuilders, the Group agreed that the strategy for the residential part of Alconbury Weald held within investment properties was to develop it for sale. Accordingly, on 30 September 2017 this element of the property was reclassified as a trading property.

On 30 September 2017, based on the site intention set out in the submitted development plan, the Group agreed that the strategy for part of its interest in Waterbeach, previously held wholly within trading stock, was to hold for long-term capital gain and rental income. Accordingly, 32 per cent of the asset value was transferred to investment properties.

(vii) Fair value measurement

The Group's principal investment property, Alconbury Weald, which represents 60 per cent of the year-end carrying value (2016: 73 per cent), is valued on a semi-annual basis by CBRE Limited (CBRE), an independent firm of chartered surveyors, on the basis of fair value. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. At 30 September 2017, another investment property, which represents 16 per cent of the year-end carrying value, has also been valued by CBRE Limited, and further properties, representing 24 per cent of the year-end carrying value, have been valued by Directors, either with reference to post-balance-sheet sales price achieved or cost incurred to date.

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

As noted above, the Group's investment properties are all carried at fair value and are classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value are based on unobservable market data. The following summarises the valuation technique used in measuring the fair value of Alconbury Weald, the Group's principal investment property, as well as the significant unobservable inputs and their inter-relationship with the fair value measurement.

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.

Significant unobservable inputs

The key inputs to the investment property valuation, which following the transfer referred to above relate to commercial land at Alconbury Weald, included:

	30 September 2017	30 September 2016
Expected land price inflation (per cent)	**3.0**	3.0
Expected annual cost price inflation (per cent)	**2.0**	2.0
Commercial land value (£'000 per acre)	**345**	300
Risk adjusted discount rate (per cent)	**7.5**	8.0

Inter-relationship between significant unobservable inputs and fair value measurement

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

- expected annual land price inflation was higher/(lower);
- expected annual cost price inflation was lower/(higher);
- commercial land value was higher/(lower); and
- risk-adjusted discount rate was lower/(higher).

The Group's other material investment properties at Bradford and Feethams were valued by CBRE and the Directors respectively. Bradford was valued using a yield-based methodology with initial yields between 6.0 and 10.0 per cent whilst Feethams was valued with reference to the price achieved when the property was sold in November 2017. An increase in the initial yield assumptions would result in a decrease in the fair value of the Bradford property.

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12. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 October 2015	2,000	680	866	3,546
Additions	—	20	304	324
Transfer from investment properties	3,425	—	—	3,425
At 1 October 2016	5,425	700	1,170	7,295
Additions	—	30	255	285
Disposals	—	—	(53)	(53)
At 30 September 2017	**5,425**	**730**	**1,372**	**7,527**
Depreciation				
At 1 October 2015	514	47	277	838
Charge for the year	408	161	244	813
At 1 October 2016	922	208	521	1,651
Charge for the year	391	122	301	814
Released on disposal	—	—	(38)	(38)
At 30 September 2017	**1,313**	**330**	**784**	**2,427**
Net book value				
At 30 September 2017	**4,112**	**400**	**588**	**5,100**
At 30 September 2016	4,503	492	649	5,644

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 2015	41,218	500	41,718
Share of post-tax loss excluding investment property revaluation	(179)	—	(179)
Share of revaluation uplift on investment property	6,730	—	6,730
Share of post-tax profit from joint ventures	6,551	—	6,551
Loans advanced	4,090	—	4,090
Loans repaid	(895)	—	(895)
Impairment of loans to joint ventures	(417)	—	(417)
At 1 October 2016	50,547	500	51,047
Share of post-tax profit from joint ventures	1,271	—	1,271
Additions	14,303	—	14,303
Loans advanced	11,068	—	11,068
Loans repaid	(434)	(1,998)	(2,432)
Write back of loans to associates	—	1,500	1,500
At 30 September 2017	**76,755**	**2**	**76,757**

13. Investments continued

Investments in joint ventures and associates continued

At 30 September 2017 the Group's interests in its joint ventures were as follows:

SUE Developments LP	50%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Wintringham Partners LLP	33%	Property development

Summarised information on joint ventures 2017

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Wintringham Partners LLP £'000	Total 2017 £'000
Revenue	21,965	—	660	—	22,625
Profit/(loss) after tax	2,130	(2)	(10)	—	2,118
Total assets	149,702	6,554	1,146	49,898	207,300
Other liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Total liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Net assets/(liabilities)	**46,586**	**(46)**	**1,056**	**—**	**47,596**
The carrying value consists of:					
Group's share of net assets	23,293	—	528	—	23,821
Loans	36,558	2,073	—	14,303	52,934
Total investment in joint ventures	**59,851**	**2,073**	**528**	**14,303**	**76,755**

SUE Developments LP holds the RadioStation Rugby site.

Summarised information on joint ventures 2016

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

SUE Developments LP's principal asset is a development property that, until 30 September 2016, was classified as an investment property.

13. Investments continued

Investments in joint ventures and associates continued

Summarised information on joint ventures 2016 continued

At 30 September 2017 the Group's interests in its principal associate is as follows:

Terrace Hill Development Partnership	20%	Property development

Summarised information on associate

	2017 Terrace Hill Development Partnership £'000	2016 Terrace Hill Development Partnership £'000
Revenue	**3,099**	541
Profit after tax	**399**	576
Total assets	**695**	7,422
Total liabilities	**(216)**	(7,532)
Net assets/(liabilities)	**479**	(110)
Non-recourse net assets/(liabilities)	**479**	(110)
Adjust for:		
Group's share of net assets/(liabilities)	—	—
The carrying value consists of:		
Group's share of net assets/(liabilities)	—	—
Loans	**2**	500
Total investment in associates	**2**	500
Share of unrecognised profit		
At 1 October	**483**	368
Share of unrecognised profit for the period	**80**	115
Adjustments in respect of previous periods	**(483)**	—
At 30 September	**80**	483

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

Terrace Hill Development Partnership has not been equity accounted for as the entity has preferential investors that will receive their return before the Group. Terrace Hill Development Partnership is classified as an associate due to the significant influence being exercised by the Group over its operating activities. The investment in Terrace Hill Development Partnership is carried at cost and subject to regular impairment reviews.

A complete list of the Group's subsidiaries is included in note 11 of the notes to the Company financial statements on pages 170 and 171.

14. Deferred tax

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

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
At 1 October	**(314)**	4,690
Movement in the year (see note 8)	**(1,098)**	(5,004)
At 30 September	**(1,412)**	(314)

The deferred tax balances are made up as follows:

	At 30 September 2017 £'000	At 30 September 2016 £'000
Deferred tax assets		
Tax losses	**4,240**	5,159
	4,240	5,159
Deferred tax liabilities		
Revaluation surpluses	**5,652**	5,473
	5,652	5,473

At 30 September 2017, the Group had unused tax losses of £32,132,000 (2016: £47,764,000), of which £23,120,000 (2016: £28,309,000) have been recognised as a deferred tax asset. A further £5,373,000 (2016: £18,586,000) have 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 £3,639,000 (2016: £869,000) have not been recognised as it is not considered sufficiently certain that there will be appropriate taxable profits available in the foreseeable future against which these losses can be utilised.

The Group's deferred tax balances have been measured at rates between 17 and 19 per cent (2016: 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. The UK corporation tax rate reduced to 19 per cent from 1 April 2017 and will reduce to 17 per cent from 1 April 2020, which will reduce the amount of UK corporation tax that the Group will have to pay in the future.

15. Trading properties

	Year ended 30 September 2017 £'000	Year ended 30 September 2016 £'000
At 1 October	**185,204**	163,459
Additions at cost	**93,086**	78,506
Costs written back/(off)	**1,402**	(7,108)
Disposals	**(30,284)**	(49,653)
Transfer to investment properties	**(2,988)**	—
Transfer from investment properties	**43,287**	—
Carrying value at 30 September	**289,707**	185,204

During the year staff and administrative costs of £4,494,000 (2016: £5,639,000) have been capitalised and are included within additions.

Capitalised interest of £1,768,000 is included within the carrying value of trading properties as at 30 September 2017 (2016: £869,000), of which £899,000 (2016: £508,000) was capitalised during the year. Included within disposals is £Nil (2016: £133,000) of interest capitalised.

The costs written back in the year are as a result of an increase in the value of the properties in question.

16. Trade and other receivables

Non-current	At 30 September 2017 £'000	At 30 September 2016 £'000
Trade receivables	**16,922**	—
	16,922	—

Current	At 30 September 2017 £'000	At 30 September 2016 £'000
Trade receivables	**6,698**	49,188
Less: provision for impairment of trade receivables	**(61)**	(31)
Trade receivables (net)	**6,637**	49,157
Other receivables	**3,040**	5,324
Amounts recoverable under contracts	**—**	63
Prepayments and accrued income	**5,683**	5,930
	15,360	60,474

Non-current trade receivables comprise minimum amounts due from housebuilders on strategic land parcel sales. Trade receivables in 2016 included £38,200,000 in relation to a trading property sale which was received in full during the current year.

The ageing of trade receivables was as follows:	At 30 September 2017 £'000	At 30 September 2016 £'000
Up to 30 days	**1,003**	39,117
31 to 60 days	**134**	1,808
61 to 90 days	**2**	69
Over 90 days	**173**	443
Total	**1,312**	41,437
Amounts not yet invoiced	**22,247**	7,720
Trade receivables (net)	**23,559**	49,157

There were no amounts past due but not impaired at 30 September 2017 or 2016.

17. Trade and other payables

	At 30 September 2017 £'000	At 30 September 2016 £'000
Trade payables	**11,348**	12,607
Taxes and social security costs	**284**	221
Other payables	**12,127**	3,455
Accruals	**23,617**	12,416
Deferred income	**1,364**	1,429
	48,740	30,128

18. Borrowings

	At 30 September 2017 £'000	At 30 September 2016 £'000
Bank loans	**61,038**	36,774
Other loans	**32,812**	12,782
	93,850	49,556

Maturity profile	At 30 September 2017 £'000	At 30 September 2016 £'000
Less than one year	**24,026**	16,100
Between one and five years	**49,150**	33,456
More than five years	**20,674**	—
	93,850	49,556

Other loans comprise borrowings from the HCA and a conditional grant. Interest on borrowing from the HCA is charged between 2.2 and 2.5 per cent above the EC Reference Rate and the facilities are secured against specific land holdings. The £1,000,000 grant is conditional on certain milestones of construction being achieved before 2020. The grant is only repayable if these are not reached.

Bank loans, other than the revolving credit facility, are secured against specific property holdings.

As described in note 27, after the balance sheet date two of the bank loan facilities amounting to £31,200,000 were repaid following the sale of the assets on which those facilities were secured.

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 2017 comprise cash, short-term deposits and bank and other loans. The main purpose of these financial instruments is to provide finance for the Group's operations at appropriate cost and risk levels.

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

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

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 2017 (and 2016), 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 2017 £'000	At 30 September 2016 £'000
Interest on borrowings	(478)	(250)
Interest on cash deposits	61	75
Total impact on pre-tax profit and equity – loss	**(417)**	(175)

0.5 per cent decrease in interest rates	At 30 September 2017 £'000	At 30 September 2016 £'000
Interest on borrowings	478	250
Interest on cash deposits	(61)	(75)
Total impact on pre-tax profit and equity – gain	**417**	175

The interest rate risk profile of financial assets and liabilities of the Group at 30 September 2017 was as follows:

	Total £'000	Floating rate financial assets £'000	Fixed rate financial assets £'000	Financial assets on which no interest is earned £'000
Total financial assets	93,940	7,040	5,150	81,750

	Total £'000	Floating rate financial liabilities £'000	Fixed rate financial liabilities £'000	Financial liabilities on which no interest is earned £'000
Total financial liabilities	140,942	92,850	—	48,092

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 2016 was as follows:

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

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

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

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

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

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2017 are shown below. Included in cash is £4,924,000 that is restricted (2016: £3,170,000).

Financial institution	Long-term credit rating	Cash at bank £'000	Short-term deposits £'000	Total £'000
Bank of Scotland, ING Luxembourg	A+	1,588	255	1,843
Barclays, Nationwide	A	1,283	352	1,635
HSBC, Wells Fargo	AA-	151	689	840
RBS	BBB+	4,018	3,854	7,872
		7,040	**5,150**	**12,190**

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

Credit ratings of the financial institutions holding the Group's cash deposits as at 30 September 2016 are shown below.

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

(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 2017 (excluding £48,092,000 of liabilities repayable on demand) is presented below.

At 30 September 2017	Currency	Current interest rate	Year of maturity	Carrying amount £'000	Contractual cash flow £'000	In less than one year £'000	Between one and two years £'000	Between two and five years £'000	In more than five years £'000
Other loan arranged in 2017	Sterling	3.15%	2028	20,674	30,317	—	—	—	30,317
Overdraft arranged in 2016	Sterling	2.75%	2019	23,222	25,495	24,353	500	642	—
Bank loan arranged in 2016	Sterling	2.85%	2021	16,859	18,182	309	607	17,266	—
Bank loan arranged in 2016	Sterling	2.39%	2021	13,767	15,159	771	761	13,627	—
Bank loan arranged in 2016	Sterling	2.48%	2020	6,190	6,704	510	501	5,693	—
Other loans arranged in 2015	Sterling	2.85%	2021	12,138	13,407	—	—	13,407	—
Total				92,850	109,264	25,943	2,369	50,635	30,317

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

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

	At 30 September 2017 £'000	At 30 September 2016 £'000
Expiring between one and five years	17,315	43,000
Expiring in greater than five years	23,641	—
	40,956	43,000

19. Financial instruments continued

(c) Categories of financial assets and financial liabilities

The Group's financial assets, all of which are categorised as loan and receivables, amount to £93,940,000 (2016: £93,338,000) and comprise cash and cash equivalents, trade and other receivables and loans advanced to joint ventures and associates. The Group's financial liabilities, all of which are financial liabilities at amortised cost, amount to £140,942,000 (2016: £78,775,000) and comprise bank loans, other loans, trade payables, other payables and accruals. At 30 September 2017 and 30 September 2016 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 £81,750,000 (2016: £78,255,000).

20. Share capital

Urban&Civic plc	At 30 September 2017 £'000	At 30 September 2016 £'000
Issued and fully paid		
144,964,808 (2016: 144,804,728) shares of 20p each (2016: 20p each)	**28,993**	28,961

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2015	28,801	144,006,555
Shares issued in consideration for Catesby Property Group plc	148	739,107
Shares issued under scrip dividend scheme	12	59,066
At 1 October 2016	28,961	144,804,728
Shares issued under scrip dividend scheme	32	160,080
At 30 September 2017	**28,993**	**144,964,808**

The Company issued 739,107 shares in 2016 as part of a deferred consideration arrangement on the acquisition of Catesby Property Group plc in 2015.

21. Reserves

The movement on reserves in the year is set out in the consolidated statement of changes in equity on page 135.

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

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

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

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

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

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

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

Net asset value and EPRA net asset value per share is calculated as the net assets or EPRA net assets of the Group attributable to shareholders at each balance sheet date, divided by the number of shares in issue and to be issued at that date, adjusted for own shares held and the dilutive effect of outstanding share issues.

	At 30 September 2017	At 30 September 2016
Number of ordinary shares in issue	144,964,808	144,804,728
Own shares held	(1,569,437)	(1,483,503)
Dilutive effect of share options	944,078	869,068
	144,339,449	144,190,293
NAV per share	257.6p	254.0p
Net asset value (£'000)	371,880	366,312
Revaluation of trading property held as current assets (£'000)		
– Alconbury Weald	37,304	31,714
– Rugby	6,784	—
– Land promotion sites	6,234	7,176
– Newark	(2,055)	(171)
– Manchester sites	2,431	439
– Stansted	8,660	(1,910)
– Other	2,453	794
	61,811	38,042
Deferred tax liability (£'000)	5,652	5,473
EPRA NAV (£'000)	439,343	409,827
EPRA NAV per share	304.4p	284.2p
Deferred tax (£'000)	(17,396)	(12,701)
EPRA NNNAV (£'000)	421,947	397,126
EPRA NNNAV per share	292.3p	275.4p

23. Contingent liabilities, capital commitments and guarantees

The parent company has given guarantees totalling £58,040,000 (2016: £47,626,000) as part of its development obligations.

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

	At 30 September 2017 £'000	At 30 September 2016 £'000
Contracted but not provided for	39,956	27,589

24. Share-based payments

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

Options are granted over the Company's shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. In the year ended 30 September 2017, options over 1,831,953 shares (30 September 2016: 1,133,924 shares) were awarded to Directors and other participating staff. The performance conditions attached to these awards are as follows:

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

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

The performance conditions for the awards granted in the period run from 1 October 2016 to 30 September 2019.

At 30 September 2016 there were 19,471 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. During the year 9,126 of these awards were exercised and at 30 September 2017, 10,345 options remain vested but not exercised.

	Year ended 30 September 2017			
	Number of share awards granted	Weighted average exercise price	Fair value of award at date of grant	Share price at date of grant
Awards outstanding at 1 October 2016	**3,327,656**	**13.00p**		
Awards lapsed	**(91,439)**	**4.00p**		
Awards exercised	**(9,126)**	**20.00p**		
Awards granted (date of grant: 7 December 2016)	**1,831,953**	**—**	**109.42p – 206.48p**	**215.00p**
Awards outstanding at 30 September 2017	**5,059,044**	**8.00p**		

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

The fair value of the awards in the year ended 30 September 2017 was calculated by using an option pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. The values assigned to those variables were: 215.00p grant date share price, 0.00p exercise price, expected term of three years, 1.35 per cent expected dividend yield, 24.03 per cent expected volatility and 0.23 per cent expected risk free interest rate.

24. Share-based payments continued

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

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 £3,119,000 (2016: £2,368,000).

The weighted average share price on the date of the awards exercised in the year was 193.0p (2016: 243.0p).

Employee Benefit Trust

	Number	Cost £'000
At 1 October 2015	1,485,303	3,951
Share purchase	437,392	1,029
Transferred to employees on share option exercise	(439,192)	(1,163)
At 1 October 2016	1,483,503	3,817
Share purchase	110,846	249
Transferred to employees on deferred bonus share arrangements	(24,912)	(63)
At 30 September 2017	**1,569,437**	**4,003**

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 2017 the Trust held 1,569,437 (2016: 1,483,503) ordinary shares of 20p each in Urban&Civic plc. The market value of these shares at 30 September 2017 was £4,049,000 (2016: £3,338,000).

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 2017 £'000	At 30 September 2016 £'000
In one year or less	**2,016**	1,981
Between one and five years	**1,748**	3,638
In five years or more	**86**	139
	3,850	5,758

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 2017 £'000	At 30 September 2016 £'000
In one year or less	**5,430**	5,516
Between one and five years	**12,684**	13,900
In five years or more	**20,882**	23,638
	38,996	43,054

26. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel. The combined emoluments, including any termination or compensation payments, for the key management personnel (relating to the period they were a Director), based upon amounts included in the Group financial statements, are set out in the Directors' remuneration report on page 114.

The total compensation of key management personnel was £4,497,000 (2016: £3,843,000), which comprised short-term benefits of £2,980,000 (2016: £2,340,000), post-employment benefits of £154,000 (2016: £179,000), termination benefits of £Nil (2016: £196,000) and share-based payments of £1,363,000 (2016: £1,128,000).

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 2017 £'000	At 30 September 2016 £'000
SUE Developments LP	**36,558**	25,607
Wintringham Partners LLP	**14,303**	—
Terrace Hill Residential PLC	**4,220**	4,220
Achadonn Limited	**3,316**	3,316
Altira Park JV LLP	**—**	499
	58,397	33,642

Amounts due from Terrace Hill Residential PLC have been fully provided against at 30 September 2017 and 2016. On 13 October 2015 Terrace Hill Residential PLC went into liquidation. The total provision at 30 September 2017 against amounts due from Achadonn Limited was £1,243,000 (2016: £1,243,000).

Fees charged by the Group to SUE Developments LP during the year were £1,017,000 (2016: £717,000). Included in prepayments and accrued income at 30 September 2017 was £362,000 (2016: £556,000) in respect of these fees.

27. Post balance sheet events

In October 2017, the Group sold its trading property asset, Stansted Hotel, for minimum proceeds of £48.3 million and repaid the associated bank loan of £17.2 million. An additional sum of up to £1.1 million will be due to Urban&Civic depending on the operational performance of the hotel over the next two years.

In October 2017, the Group purchased land at Priors Hall in Northamptonshire for a total consideration of £40.5 million. The acquisition was funded in part by the Homes and Communities Agency, which is also making available additional facilities to cover future forecast infrastructure spend. Total committed facilities from the HCA for the transaction aggregate £45.4 million excluding accrued interest.

In November 2017, the Group sold its property asset Feethams Darlington, shown on the balance sheet as investment properties held for sale, for proceeds of £21.6 million and repaid the associated bank loan of £14.0 million.

	Notes	30 September 2017 £'000	30 September 2016 £'000
Fixed assets			
Investments	3	**456,157**	453,038
		456,157	453,038
Current assets			
Debtors due within one year	4	**26,191**	42,969
Cash at bank and in hand		**302**	392
		26,493	43,361
Creditors: amounts falling due within one year	5	**(165,581)**	(186,800)
Net current liabilities		**(139,088)**	(143,439)
Total assets less current liabilities		**317,069**	309,599
Capital and reserves			
Share capital	7	**28,993**	28,961
Share premium account		**168,648**	168,320
Share scheme reserve		**9,093**	5,974
Capital redemption reserve		**849**	849
Own shares		**(4,003)**	(3,817)
Merger reserve		**97,025**	97,025
Retained earnings		**16,464**	12,287
Shareholders' funds		**317,069**	309,599

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 £8,713,000 (2016: £3,693,000) attributable to the Company. At 30 September 2017, the entire balance of £16,464,000 (2016: £12,287,000) in retained earnings represents distributable reserves.

The financial statements were approved by the Board and authorised for issue on 27 November 2017 and were signed on its behalf by:

Nigel Hugill
Director

David Wood
Director

The notes on pages 167 to 171 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 2017

	Share capital £'000	Share premium account £'000	Shares to be issued £'000	Share scheme reserve £'000	Capital redemption reserve £'000	Own shares £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2015	28,801	168,186	1,948	3,653	849	(3,951)	95,225	12,524	307,235
Shares issued in part consideration for the acquisition of Catesby Property Group plc	148	—	(1,948)	—	—	—	1,800	—	—
Shares issued under scrip dividend scheme	12	134	—	—	—	—	—	—	146
Share option exercise satisfied out of own shares	—	—	—	—	—	1,163	—	—	1,163
Purchase of own shares	—	—	—	—	—	(1,029)	—	—	(1,029)
Share-based payment expense	—	—	—	2,321	—	—	—	—	2,321
Total comprehensive income for the year	—	—	—	—	—	—	—	3,693	3,693
Dividends paid	—	—	—	—	—	—	—	(3,930)	(3,930)
Balance at 30 September 2016	28,961	168,320	—	5,974	849	(3,817)	97,025	12,287	309,599
Shares issued under scrip dividend scheme	32	328	—	—	—	—	—	—	360
Deferred bonus award satisfied out of own shares	—	—	—	—	—	63	—	—	63
Purchase of own shares	—	—	—	—	—	(249)	—	—	(249)
Share-based payment expense	—	—	—	3,119	—	—	—	—	3,119
Total comprehensive income for the year	—	—	—	—	—	—	—	8,713	8,713
Dividends paid	—	—	—	—	—	—	—	(4,536)	(4,536)
Balance at 30 September 2017	**28,993**	**168,648**	**—**	**9,093**	**849**	**(4,003)**	**97,025**	**16,464**	**317,069**

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 136 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, joint ventures and associates 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 104 to 120. 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 143.

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 2016	479,176
Additions	—
Capital contribution on the granting of share scheme options to employees of subsidiaries	3,119
At 30 September 2017	**482,295**
Amounts written off	
At 1 October 2016	26,138
Impairment charge	—
At 30 September 2017	**26,138**
Net book value	
At 30 September 2017	**456,157**
At 30 September 2016	453,038

A complete list of the Company's subsidiaries is included in note 11 of these Company financial statements.

4. Debtors

	At 30 September 2017 £'000	At 30 September 2016 £'000
Amounts due within one year:		
Other debtors	**604**	658
Prepayments and accrued income	**1,193**	16,022
Amounts due from subsidiaries	**24,394**	26,289
	26,191	42,969

5. Creditors

	At 30 September 2017 £'000	At 30 September 2016 £'000
Amounts due within one year:		
Trade creditors	**54**	36
Accruals and deferred income	**2,760**	14,567
Amounts due to subsidiaries	**139,266**	171,914
Bank overdraft	**23,222**	—
Other creditors	**279**	283
	165,581	186,800

6. Related party transactions
The Company has previously made a loan of £4,220,000 (2016: £4,220,000) to Terrace Hill Residential PLC, an associated undertaking, which is fully provided against at 30 September 2017 and 2016.

7. Share capital

	At 30 September 2017 £'000	At 30 September 2016 £'000
Issued and fully paid		
144,964,808 (2016: 144,804,728) ordinary shares of 20p each (2016: 20p each)	**28,993**	28,961

Movements in ordinary share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2016	28,961	144,804,728
Shares issued under scrip dividend scheme	32	160,080
At 30 September 2017	**28,993**	**144,964,808**

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 balance in the Company retained earnings reserve is distributable.

8. Share-based payments
The Company operates an equity-settled share-based payment scheme for all Executive Directors and certain employees of the Group. Details of the options granted under the scheme and the options outstanding at the balance sheet date are given in note 24 to the Group financial statements. On the basis that all awards made relate to employees of subsidiaries, this value is recognised as a capital contribution to those subsidiaries over the vesting period and is added to the cost of the relevant investment. The total capital contribution for the year was £3,119,000 (2016: £2,321,000).

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

9. Financial commitments
Operating lease commitments where the Company is the lessee
The future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

Land and buildings	At 30 September 2017 £'000	At 30 September 2016 £'000
In one year or less	**1,278**	1,278
Between one and five years	**265**	1,543
In five years or more	—	—
	1,543	2,821

10. Contingent liabilities and guarantees
The Company has given guarantees totalling £58,040,000 (2016: £47,626,000) as part of the Group's obligations.

11. Subsidiary undertakings

At 30 September 2017 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 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
Baltic Business Quarter Management Limited[1]	100%	Property management
Bridge Quay Management Company 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 Limited[3]	100%	Property development
Catesby Estates Promotions Limited[2]	100%	Property development
Catesby Land and Planning Limited[2]	100%	Property development
Catesby Land Limited[3]	100%	Property development
Catesby Land Promotions Limited[2]	100%	Property development
Catesby Promotions Limited[2]	100%	Property development
Catesby Property Group plc[3]	100%	Management and administration
Catesby Serviced Offices (Doncaster) Limited[3]	100%	Property management
Christchurch Business Park Management Limited[1]	100%	Property management
Greyhound Inn Developments Limited[3]	100%	Property development
Manhattan Gate Management Company Limited[1]	100%	Property development
Newark Commercial Limited[3]	100%	Property development
SUE Developments LP[5]	50%	Property development
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[1]	20%	Property development
Terrace Hill Foodstore Development Company Parent Limited[1]	100%	Investment holding company
Terrace Hill Foodstore Developments Limited[1]	100%	Property development
Terrace Hill Mayflower Plaza Limited[1]	100%	Property development
Terrace Hill Southampton Limited[1]	100%	Property development
Urban&Civic (Bradford) Limited[1]	100%	Property development
Urban&Civic (Management) Limited[2]	100%	Management and administration
Urban&Civic (Property Investment No 1) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 2) Limited[1]	100%	Property investment
Urban&Civic (Property Investment No 3) Limited[2]	100%	Property investment
Urban&Civic (Secretaries) Limited[2]	100%	Administration
Urban&Civic Alconbury Limited[1]	100%	Property investment and development
Urban&Civic Alconbury S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Armadale No. 1 Limited[2]	100%	Property development
Urban&Civic Bishop Auckland Limited[1]	100%	Property development
Urban&Civic Britannic Global Income Trust Limited[2]	100%	Investment holding company
Urban&Civic Broomielaw Limited[2]	100%	Property development
Urban&Civic Burnley Limited[1]	100%	Property development

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11. Subsidiary undertakings continued

Incorporated in the United Kingdom, unless otherwise indicated	Proportion of voting rights and ordinary shares held	Nature of business
Urban&Civic Central Funding Limited[1]	100%	Investment holding company and property development
Urban&Civic Central Scotland Limited[2]	100%	Property development
Urban&Civic Christchurch Limited[1]	100%	Property development
Urban&Civic 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 Hayling Island Limited[1]	100%	Property development
Urban&Civic Holdings S.à.r.l. (incorporated in Luxembourg)[4]	100%	Investment holding company
Urban&Civic Homes Limited[2]	100%	Property development
Urban&Civic Howick Place Investments Limited[1]	100%	Investment holding company
Urban&Civic Hyde Limited[1]	100%	Property development
Urban&Civic Investments Limited[1]	100%	Investment holding company and property development
Urban&Civic Middlehaven Limited[1]	100%	Investment holding company and property development
Urban&Civic Middlehaven Properties Limited[1]	100%	Property development
Urban&Civic Middlesbrough Limited[1]	100%	Property development
Urban&Civic Miscellaneous Properties Limited[1]	100%	Property development
Urban&Civic North East Limited[1]	100%	Investment holding company and property development
Urban&Civic Northam Limited[1]	100%	Property development
Urban&Civic Penzance Limited[1]	100%	Property development
Urban&Civic Princess Street Limited[1]	100%	Property development
Urban&Civic Projects Limited[1]	100%	Project co-ordination and management services
Urban&Civic Property Developments Limited[1]	100%	Investment holding company
Urban&Civic Property Developments No 1 Limited[1]	100%	Property development
Urban&Civic Property Developments No 2 Limited[1]	100%	Property development
Urban&Civic Property Investments No. 4 Limited[1]	100%	Investment holding company
Urban&Civic Redcliff Street Limited[1]	100%	Property development
Urban&Civic Residential Lettings No.3 Limited[1]	100%	Property development
Urban&Civic Resolution Limited[1]	100%	Property development
Urban&Civic Rugby Limited[1]	100%	Property development
Urban&Civic Rugby (Member) Limited[1]	100%	Property development
Urban&Civic Skelton Limited[1]	100%	Property development
Urban&Civic Stokesley Limited[1]	100%	Property development
Urban&Civic St Neots Limited[1]	100%	Property development
Urban&Civic Sunderland Limited[1]	100%	Property development
Urban&Civic Tunbridge Wells Limited[1]	100%	Property development
Urban&Civic UK Limited[1]	100%	Management and administration
Urban&Civic Victoria Street Limited[1]	100%	Property development
Urban&Civic Waterbeach Limited[1]	100%	Property investment and development
Urban&Civic Westview Investments Limited[1]	100%	Investment holding company and property development
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 Helens, 1 Undershaft, London EC3P 3DQ.
6. Registered address: Netherton, Langbank, Port Glasgow, Renfrewshire PA14 6YG.

AGM	Annual General Meeting
Catesby/Catesby Property Group plc/ Catesby Estates plc	Catesby Property Group plc and subsidiaries, joint ventures and associates
CIL	Communities infrastructure levy
Company	Urban&Civic plc
DCLG	Department for Communities and Local Government
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT/the Trust	Urban&Civic Employee Benefit Trust
EC Reference Rate	European Commission Reference Rate
Employment land/plots	Land and parcels of land upon which a variety of commercial uses will be delivered in accordance with a planning consent
EPRA	European Public Real Estate Association
EPRA net asset value (EPRA NAV)	Net assets attributable to equity shareholders of the Company, adjusted for the revaluation surpluses on trading properties and eliminating any deferred taxation liability for revaluation surpluses
EPRA net gearing	Total debt less cash and cash equivalents divided by EPRA net assets
EPRA triple net asset value (EPRA NNNAV)	EPRA net asset value adjusted to include deferred tax on property valuations and capital allowances
Estimated rental value (ERV)	Open market rental value that could reasonably be expected to be obtained for a new letting or rent review at a particular point in time
EZ	Enterprise Zone
Fair value	The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measureable date (i.e. an exit price)
FRC	Financial Reporting Council
FRS 102	Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'
Group and Urban&Civic Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
Gearing	Group borrowings as a proportion of net asset value (either IFRS or EPRA depending on stated denominator)
HCA	Homes and Communities Agency
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Initial yield	Annualised net rent as a proportion of property value
ISA	International Standards on Auditing
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board as capable of measurement and are used to evaluate Group performance
LADs	Liquidated Ascertained Damages
LEP	Local Enterprise Partnership

Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
Look-through gearing	Gearing including the Group's share of joint ventures and associates borrowing
LTV	Loan to value
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
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
PSP	Performance Share Plan
S106	Section 106 planning obligations
SDLT	Stamp Duty Land Tax
Terrace Hill group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
Voids	Period of non-occupancy of a lease

Key contacts and advisers

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Registered number: SC149799

Principal place of business
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Company Secretary
Heather Williams FCIS

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

Financial calendar

2017 final dividend[1]	2.0p
Ex-dividend date	11 January 2018
Record date	12 January 2018
Last date for receipt of scrip elections/ scrip applications	26 January 2018
Dividend payment/scrip issue date	23 February 2018
Annual General Meeting[2]	8 February 2018
2017 interim dividend	1.2p
Record date	9 June 2017
Dividend payment/scrip issue date	21 July 2017
2017 half year results announcement	25 May 2017

1. The Board has recommended a final dividend of 2.0p per share which is payable subject to shareholder approval at the 2018 Annual General Meeting.
2. The Annual General Meeting will be held at 10.00 am on 8 February 2018 at The Savile Club, 69 Brook Street, London W1K 4ER.

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

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

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

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

Urban&Civic plc

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

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The Visitor Centre and Tuning Fork Café at RadioStation Rugby

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