Urban&Civic plc

Half-yearly report for the six months ended 31 March 2014

Highlights

- Completed acquisition of Urban&Civic on 22 May 2014 with intention of creating new best in class national real estate business with a pro forma EPRA NAV of £315.0 million (as at 31 March 2014).
- Successful capital raise of £170 million on 22 May 2014 with a move to main market of London Stock Exchange and a name change to Urban&Civic plc.
- Leisure complex in Darlington town centre, which will include a nine-screen cinema, an 80-bedroom hotel and six restaurant units, is now substantially pre-let and construction is expected to start on schedule in autumn 2014.
- Planning consent granted in February 2014 at Gateway Teesside for 125,000 sq ft foodstore pre-let to Sainsbury's.
- Southampton student accommodation scheme on track to handover to University in time for 2014/15 academic year.
- Pre-acquisition EPRA Net Asset Value (NAV) at 31 March 2014 of 263.2 pence per share.

Chairman's statement

Following the announcement on 28 April 2014 of the successful fund raising and the passing of the resolution to approve the acquisition of Urban&Civic on 14 May 2014, the company was admitted to the main market of the London Stock Exchange for trading on 22 May 2014 and changed its name to Urban&Civic plc. The admission marks a return to the public markets for me and my long term associate, Robin Butler, and the transaction provides a strong platform on which to grow the enlarged group. We are delighted to be back in the arena in which we feel most comfortable. I am quite convinced that the recognised status and associated transparency expected from a public company will be of benefit as we look to continue to enlarge the base of our planning-led development and investment projects across the UK.

I should explain that these interim accounts are for the 6 month period ended 31 March 2014 for the Terrace Hill Group only. To be clear, the accounts do not consolidate the results of the existing Urban&Civic business during the same period. Nor will these Terrace Hill results be incorporated when we come to report year-end figures for the enlarged operations at 30 September, 2014. Notwithstanding, we did have regard for the anticipated interim outcome in setting the terms of exchange to establish the combined business. The first set of audited numbers for the enlarged operations will comprise the results of the Urban&Civic business for the nine months to 30 September 2014 and the results of the Terrace Hill Group from 22 May 2014 (the date of acquisition) to 30 September 2014. The reasonable expectation is for material income statement improvement.

Terrace Hill Group

The Terrace Hill results reflect a quiet trading period; management took the opportunity to exit two sites at amounts below their previous carrying value where they believed the opportunity for future gains was limited. Coupled with six months of overheads, the consequence was that EPRA NAV at 31 March 2014 of £55.9 million was reduced from £61.3 million at 30 September 2013.

Notwithstanding, good advances were made in a number of areas within Terrace Hill which will benefit the enlarged business going forward. Planning consents were granted for the 125,000 sq ft foodstore at Gateway Teesside and for changes to elevations on the Bristol site where we intend to enlarge and convert the existing office building to residential use. Strong letting progress was also made at the leisure scheme in Darlington. The Southampton student accommodation scheme is progressing well: 'topping out' occurred in February and the project is on track for handover to the university in time for first student occupation in the Autumn 2014/2015 academic year. All the retail space and first and second floor offices at the development on the corner of Savile Row and Conduit Street in Mayfair has been let to Dsquared2 for its flagship UK headquarters.

Update on the Urban&Civic business

We continue to take significant strides with the two large strategic land sites that Urban&Civic already owns.

At Alconbury Weald, near Huntingdon, the AHMM designed incubator building is letting well, early stage demolition has been carried out and the new accesses to allow the segregation of heavy goods traffic are completed. The design of the first phase of development is proceeding and contractors are in the process of being appointed. The section 106 Agreement is close to being finalised with key elements such as the affordable housing review mechanism having been settled. The Department of Communities and Local Government have confirmed approval of a £5 million grant under the Bringing Forward Growth programme.

At the Rugby Radio Station site where Urban&Civic has contracted to purchase a 50 per cent interest, Rugby Borough Council granted outline planning permission on 21 May following signing of the section 106 Agreement. First phase information, in accordance with the outline consent, has been submitted to Rugby Borough Council and following approval, works are due to commence later this year.

Conclusion

Property industry and stock market reaction to the news of the transaction proved positive. Integration is going well reflecting the complementary skill sets of two highly experienced specialist teams. The secured Terrace Hill pipeline will allow us to grow retained income quite rapidly. Moreover, this is an environment in which we can continue to build body weight.

Recent events constitute a watershed and I would like to express my personal thanks to the Terrace Hill Board, notably Robert Adair who has relinquished control over a company he founded nearly 20 years ago. Robert put his shoulder behind the transaction from the outset, having recognised immediately the benefits it would bring to existing Terrace Hill shareholders. Sincere gratitude must also go to the staff in both companies who worked tirelessly to create the combined platform and have not slowed down since. The sense is very much of our all being in this together.

Nigel Hugill
Executive Chairman
30 May 2014

Financial results and Net Asset Value

The group's EPRA NAV decreased to £55.9 million (263.2 pence per share) from £61.3 million (288.2 pence per share) at 30 September 2013 and our IFRS NAV also decreased in the six-month period ended 31 March 2014 to £50.8 million (239.5 pence per share) from £55.5 million (262.1 pence per share) at 30 September 2013 .

EPRA NAV is a key performance indicator for the group as it reflects the market value of our development properties and is therefore a better indicator of the true value of the group, whereas the IFRS NAV includes those properties at the lower of cost and net realisable value.

Statement of comprehensive income
Revenue for the six-month period ended 31 March 2014 includes:

(i) recognition of revenue in respect of the student accommodation scheme at Southampton of £1.4 million;
(ii) rental income of £0.9 million; and
(iii) sales income of £7.9 million in respect of the sales of sites and completed developments.

Rental income of £0.5 million and related costs of £0.8 million are included in revenue and direct costs in respect of the group's head office in London, where it owns a head lease.

Direct costs include directly attributable costs in respect of those revenue items mentioned above.
Administrative expenses for the six-month period ended 31 March 2014 amounted to £2.5 million (2013 full year: £6.1 million).

Finance costs less finance income amounted to £0.4 million (2013 full year: £0.9 million). The group paid £0.5 million of interest in the period of which £0.1 million was in respect of projects where work is currently underway and which has been capitalised.

The group's tax credit for the period of £0.1 million (2013 full year: credit £1.3 million) reflects principally the deferred tax credit arising from the change in tax rates on the recognition of profit under IFRS on the Southampton development.

Balance sheet
The group's IFRS net assets at 31 March 2014 were £50.8 million, a decrease of £4.8 million compared with the amount reported at 30 September 2013 of £55.5 million. Investment properties fell from £0.2 million at 30 September 2013 to £0.1 million at 31 March 2014 due principally to the sale of one residual residential unit. Development properties fell from £58.2 million at 30 September 2013 to £48.9 million at 31 March 2014 principally due to the sale of a site at Christchurch, the sale of a completed office building in Gateshead and the sale of a site in Croydon which competed 30 April 2014. Trade and other receivables have increased by £1.0 million to £15.6 million at 31 March 2014 due principally to movements in amounts due in respect of the Southampton development.

The group's gearing continued to improve and net debt as a percentage of EPRA net assets was 27.1% at 31 March 2014 compared with 28.6% at 30 September 2013. The amount of net debt also reduced to £16.6 million at 31 March 2014 from £17.5 million at 30 September 2013. The group's look through net gearing, which includes its share of the net debt in those joint ventures and associated undertakings in which it has on-going liabilities, fell marginally from 29.0% at 30 September 2013 to 27.6% at 31 March 2014. The group's net debt, including its share of joint ventures and associated undertakings as above, also fell from £17.8 million at 30 September 2013 to £16.9 million at 31 March 2014.

Financial resources and capital management
The group funds itself through its equity capital, cash and debt facilities. Since the period end the group acquired Urban&Civic Holdings S.a.r.l. and raised a net £161.2 million of new equity. This will have the benefit of allowing the enlarged group to execute its new strategy of developing large strategic land sites principally for residential use and continuing to pursue its commercial development programme.

The group is not subject to externally imposed capital requirements and meets its objectives for managing its capital by ensuring that it operates within the constraints imposed by the availability of cash and debt and by ensuring that it meets the various financial covenants that apply to its debt. The group regards its gearing ratios as key ratios for the purposes of managing its financial resources and the 24 month cash forecast as a key management tool. Comments on both these items are elsewhere in this review.

The average maturity of group debt as at 31 March 2014 was 13.9 months with a weighted average margin of 3.15%, The group is reviewing its debt facilities in the context of its newly raised equity.

The group monitors interest rates and the financial markets closely. The group has formulated a cash management policy for the management of its significant cash balances subsequent to the capital raising mentioned earlier and has adopted a strategy of limiting credit, concentration and liquidity risk while achieving an acceptable yield.

The group monitors its cash resources and future cash flows very closely through a comprehensive 24 month rolling cash forecast. The group regularly updates the cash forecast and stress tests the underlying assumptions to ensure that the group manages its cash deposits appropriately.

Principal risks and uncertainties

The board has overall responsibility for the management of the principal risks and internal control of the Group. Senior managers are tasked with creating procedures and controls, which are consistent with board policies and approved by the board. The board has identified the following factors as the principal potential risks to the successful operation of the business. These risks, as well as any events in the wider economy, are also the most likely to affect the Group in the second half of the year.

- Strategic risk
- Market and economic risk
- Property development – planning consent delay or rejection, construction delivery delays, and construction cost inflation
- Personnel engagement, retention and succession
- Health and safety
- Environmental impact
- Regulatory environment

Greater detail on these risks can be found in the Terrace Hill Group plc accounts for the year ended 30 September 2013.

Post balance sheet transaction

The company was admitted to the main market of the London Stock Exchange for trading on 22 May 2014 and changed its name to Urban&Civic plc on that date. The group acquired the unlisted property business Urban&Civic Holdings S.a.r.l. and the first set of results for the enlarged group will be reported for the period ending 30 September 2014.
The effect of this transaction will be to increase the net asset value of the group from £50.8 million at 31 March 2014 to a net asset value on a pro-forma basis of £315.0 million on the completion of the transaction on 22 May 2014.

See note 11 for further information.

Responsibility statement

The Directors confirm to the best of their knowledge:

- The unaudited condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU; and

- The interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules of the UK Financial Services Authority.

On behalf of the Board

J M Austen

Director

30 May 2014

Independent review report

to Urban&Civic plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2014 which comprises the unaudited consolidated statement of comprehensive income, the unaudited consolidated balance sheet, the unaudited consolidated statement of changes in equity, the unaudited consolidated cash flow statement and related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly report in accordance with the Disclosure and Transparency rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, ''Review of Interim Financial Information Performed by the Independent Auditor of the Entity'', issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34, as adopted by the European Union, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

BDO LLP
Chartered Accountants and Registered Auditors
London
United Kingdom
30 May 2014

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

Unaudited consolidated statement of comprehensive income

for the six months ended 31 March 2014

	Notes	**Unaudited six months to 31 March 2014 £'000**	Audited year to 30 September 2013 £'000	Unaudited six months to 31 March 2013 £'000
Revenue		**10,486**	48,486	38,830
Direct costs		**(12,778)**	(35,913)	(26,186)
Gross profit		**(2,292)**	12,573	12,644
Administrative expenses		**(2,495)**	(6,074)	(2,528)
Loss on disposal of investment properties		**—**	(35)	(35)
Operating (loss)/profit		**(4,787)**	6,464	10,081
Finance income		**50**	204	150
Finance costs		**(459)**	(1,096)	(572)
Share of joint venture and associated undertakings post tax profit/(loss)		**—**	43	43
(Loss)/profit before tax		**(5,196)**	5,615	9,702
Tax		**68**	(1,271)	(1,360)
(Loss)/profit from continuing operations		**(5,128)**	4,344	8,342
Profit from discontinued operations	4	**156**	586	489
Total comprehensive (loss)/income		**(4,972)**	4,930	8,831
(Loss)/profit attributable to:				
Equity holders of the parent from continuing operations		**(5,128)**	4,344	8,342
Equity holders of the parent from discontinued operations		**156**	586	489
		(4,972)	4,930	8,831
Total comprehensive (loss)/income attributable to:				
Equity holders of the parent from continuing operations		**(5,128)**	4,344	8,342
Equity holders of the parent from discontinued operations		**156**	586	489
		(4,972)	4,930	8,831
Basic (loss)/earnings per share from continuing operations	2	**(24.30p)**	20.58p	39.54p
Diluted (loss)/earnings per share from continuing operations	2	**(24.30p)**	20.54p	39.45p
Total basic (loss)/earnings per share	2	**(23.56p)**	23.36p	41.86p
Total diluted (loss)/earnings per share	2	**(23.56p)**	23.31p	41.76p

Unaudited consolidated balance sheet

at 31 March 2014

	Notes	**Unaudited 31 March 2014 £'000**	Audited 30 September 2013 £'000	Unaudited 31 March 2013 £'000
Non-current assets				
Investment properties	5	—	162	420
Property, plant and equipment		**65**	95	112
Investments in equity accounted associates and joint venture		**1,000**	1,000	1,000
Other investments		**4,279**	4,279	4,279
Intangible assets		**2,365**	2,365	2,365
Deferred tax assets		**5,226**	5,213	5,407
		12,935	13,114	13,583
Current assets				
Development properties	6	**48,879**	58,200	57,389
Trade and other receivables	7	**15,601**	14,573	19,908
Cash and cash equivalents		**2,899**	8,644	18,494
Investment properties-held for sale	5	**126**	—	—
		67,505	81,417	95,791
Total assets		**80,440**	94,531	109,374
Non-current liabilities				
Bank loans	8	**(14,540)**	(18,745)	(3,141)
Deferred tax liabilities		**(814)**	(867)	(1,151)
		(15,354)	(19,612)	(4,292)
Current liabilities				
Trade and other payables		**(6,312)**	(8,937)	(12,981)
Other payables – guarantee		—	—	(4,200)
Current tax liabilities		**(3,049)**	(3,049)	(3,016)
Bank overdrafts and loans	8	**(4,957)**	(7,384)	(25,752)
		(14,318)	(19,370)	(45,949)
Total liabilities		**(29,672)**	(38,982)	(50,241)
Net assets		**50,768**	55,549	59,133
Equity				
Called up share capital		**4,240**	4,240	4,240
Share premium account		**18,208**	18,208	18,208
Own shares		**(609)**	(609)	(609)
Capital redemption reserve		**849**	849	849
Merger reserve		**7,088**	7,088	7,088
Retained earnings		**20,992**	25,773	29,357
Total equity		**50,768**	55,549	59,133

Unaudited consolidated statement of changes in equity

for the six months ended 31 March 2014

	Share capital £'000	Share premium £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2012	4,240	18,208	(609)	849	7,088	20,437	50,213
Total comprehensive profit for the period	—	—	—	—	—	8,831	8,831
Share-based payment	—	—	—	—	—	89	89
Balance at 31 March 2013	4,240	18,208	(609)	849	7,088	29,357	59,133
Total comprehensive profit for the period	—	—	—	—	—	(3,901)	(3,901)
Share-based payment	—	—	—	—	—	317	317
Balance at 30 September 2013	4,240	18,208	(609)	849	7,088	25,773	55,549
Total comprehensive profit for the period	—	—	—	—	—	(4,972)	(4,972)
Share-based payment	—	—	—	—	—	191	191
Balance at 31 March 2014	**4,240**	**18,208**	**(609)**	**849**	**7,088**	**20,992**	**50,768**

Unaudited consolidated cash flow statement

for the six months ended 31 March 2014

	Unaudited six months to 31 March 2014 £'000	Audited year to 30 September 2013 £'000	Unaudited six months to 31 March 2013 £'000
Cash flows from operating activities			
(Loss)/profit before taxation from continuing and discontinued operations	**(5,040)**	6,201	10,191
Adjustments for:			
Finance income	**(50)**	(215)	(161)
Finance costs	**459**	1,808	1,104
Share of joint venture and associated undertakings post tax loss/(profit)	**—**	43	(43)
Reversal of provision for financial guarantee for debts of associate	**—**	(1,811)	(1,811)
Depreciation charge	**48**	47	24
Impairment charge	**—**	823	823
Loss on revaluation of investment properties	**—**	11	11
(Profit)/loss on disposal of investment properties	**(74)**	282	326
Share-based payment charge	**191**	406	89
Cash flows from operating activities before change in working capital	**(4,466)**	7,595	10,553
Decrease in property inventories	**9,467**	12,432	13,157
(Increase)/decrease in trade and other receivables	**(1,028)**	2,635	(2,657)
(Decrease)/increase in trade and other payables	**(2,624)**	(5,800)	2,444
Cash generated/(absorbed) by operations	**1,349**	16,862	23,497
Finance costs paid	**(508)**	(1,887)	(997)
Finance income received	**50**	215	161
Tax paid	**—**	36	—
Net cash flows from operating activities	**891**	15,226	22,661
Investing activities			
Sale of investment property and tangible fixed assets	**118**	14,744	14,484
Purchase of tangible fixed assets	**(25)**	(18)	(7)
Net cash flows from investing activities	**93**	14,726	14,477
Financing activities			
Borrowings drawn down	**—**	2,744	—
Borrowings repaid	**(6,574)**	(30,212)	(24,643)
Net cash flows from financing activities	**(6,574)**	(27,468)	(24,643)
Net increase/(decrease) in cash and cash equivalents	**(5,590)**	2,484	12,495
Cash and cash equivalents at 1 October 2013	**8,482**	5,998	5,998
Cash and cash equivalents at 31 March 2014	**2,892**	8,482	18,493
Cash at bank and in hand at 31 March 2014	**2,899**	8,644	18,494
Bank overdraft at 31 March 2014	**(7)**	(162)	(1)
Cash and cash equivalents at 31 March 2014	**2,892**	8,482	18,493

Notes to the half-yearly financial statements

for the six months ended 31 March 2014

1 Accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 2013 Annual Report. The financial information for the half years ended 31 March 2014 and 31 March 2013 does not constitute statutory accounts within the meaning of Section 434(3) of the Companies Act 2006 and is unaudited.

The statutory annual accounts of Terrace Hill Group plc for the year ended 30 September 2013 have been reported on by the company's auditors and have been delivered to the Registrar of Companies. The independent auditors' report on the annual accounts for 2013 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The same accounting policies, presentation and method of computation are followed in these financial statements as were applied in the group's latest annual audited financial statements and using accounting policies that are expected to be applied for the financial year ending 30 September 2014. Although there are a number of IFRS and IFRIC amendments or interpretations issued since the 2013 annual accounts were published, none are expected to have a material impact on the group's reporting.

Going concern

The directors are required to make an assessment of the group's ability to continue to trade as a going concern. The directors have given this matter due consideration and have concluded that it is appropriate to prepare the interim financial information on a going concern basis.

2 (Loss)/earnings per ordinary share

The calculation of (loss)/earnings per share has been restated in accordance with IAS 33 following the share consolidation on 22 May 2014. The calculation of basic (loss)/earnings per ordinary share is based on a loss of £4,972,000 (30 September 2013: profit of £4,930,000 and 31 March 2013: profit of £8,831,000) and on 21,095,129 ordinary shares, being the weighted average number of shares in issue during the period (30 September 2013 and 31 March 2013: 21,095,129).

The calculation of diluted loss per share for 31 March 2014 is the same as that for basic loss per share because of the loss recorded in this period. The calculation for diluted earnings per share at 30 September 2013 was based on a profit of £4,930,000 (31 March 2013: £8,831,000) and on 21,152,143 (31 March 2013: 21,1452,654) ordinary shares, being the weighted average number of shares in issue during the period adjusted to allow for the issue of ordinary shares in connection with a share award.

3 Segmental reporting

The operating segments are identified on the basis of internal financial reports about components of the group that are regularly reviewed by the chief operating decision maker (which in the group's case is its Executive board comprising the four Executive directors) in order to allocate resources to the segments and to assess their performance. The internal financial reports received by the group's Executive board contain financial information at a group level as a whole and there are no reconciling items between the results contained in these reports and the amounts reported in the financial statements.

The group operated in the period in two principal segments, being commercial property development and investment and residential property investment. The commercial segment includes foodstores, central London office developments and regional developments. The group does not operate outside the UK. The residential property investment segment has been treated as discontinued.

	Residential March 2014 £'000	**Commercial March 2014 £'000**	**Unallocated items March 2014 £'000**	**Total March 2014 £'000**	Residential September 2013 £'000	Commercial September 2013 £'000	Unallocated items September 2013 £'000	Total September 2013 £'000
Statement of comprehensive income								
Revenue	**1,358**	**10,486**	**—**	**11,844**	5,144	48,486	—	53,630
Direct costs	**(1,276)**	**(12,778)**	**—**	**(14,054)**	(4,598)	(35,913)	—	(40,511)
Gross profit	**82**	**(2,292)**	**—**	**(2,210)**	546	12,573	—	13,119
Administrative expenses	**—**	**—**	**(2,495)**	**(2,495)**	—	—	(6,074)	(6,074)
Goodwill impairment	**—**	**—**	**—**	**—**	(823)	—	—	(823)
Gain/(loss) on disposal of investment properties	**74**	**—**	**—**	**74**	(236)	(35)	—	(271)
Impairment of associated undertakings and joint venture	**—**	**—**	**—**	**—**	—	**—**	—	**—**
Provision for financial guarantee over debts of associate	**—**	**—**	**—**	**—**	1,811	—	—	1,811
Loss on revaluation of investment properties	**—**	**—**	**—**	**—**	(11)	—	—	(11)
Operating profit/(loss)	**156**	**(2,292)**	**(2,495)**	**(4,631)**	1,287	12,538	(6,074)	7,751
Net finance costs	**—**	**(409)**	**—**	**(409)**	(701)	(892)	**—**	(1,593)
Share of results of joint venture before tax	**—**	**—**	**—**	**—**	—	43	—	43
Profit before tax from continuing operations	**—**	**(2,701)**	**(2,495)**	**(5,196)**	—	11,689	(6,074)	5,615
Profit before tax from discontinued operations	**156**	**—**	**—**	**156**	586	—	—	586
Profit before tax	**156**	**(2,701)**	**(2,495)**	**(5,040)**	586	11,689	(6,074)	6,201

3 Segmental reporting *continued*

	Residential March 2014 £'000	**Commercial March 2014 £'000**	**Unallocated items March 2014 £'000**	**Total March 2014 £'000**	Residential September 2013 £'000	Commercial September 2013 £'000	Unallocated items September 2013 £'000	Total September 2013 £'000
Balance sheet								
Investment properties	**126**	—	—	**126**	162	—	—	162
Property, plant and equipment	—	—	**65**	**65**	—	—	95	95
Investments – associates and joint ventures	—	**1,000**	—	**1,000**	—	1,000	—	1,000
Other investments	—	**4,279**	—	**4,279**	—	4,279	—	4,279
Intangible assets	—	**2,365**	—	**2,365**	—	2,365	—	2,365
Deferred tax assets	—	—	**5,226**	**5,226**	—	—	5,213	5,213
	126	**7,644**	**5,291**	**13,061**	162	7,644	5,308	13,114
Development properties	**154**	**48,725**	—	**48,879**	1,273	56,927	—	58,200
Trade and other receivables	**9**	**15,592**	—	**15,601**	24	14,549	—	14,573
Cash	**82**	**2,817**	—	**2,899**	145	8,499	—	8,644
	245	**67,134**	—	**67,379**	1,442	79,975	—	81,417
Borrowings	—	**(19,497)**	—	**(19,497)**	—	(26,129)	—	(26,129)
Trade and other payables	**(206)**	**(6,106)**	—	**(6,312)**	(285)	(8,652)	—	(8,937)
Current tax	—	—	**(3,049)**	**(3,049)**	—	—	(3,049)	(3,049)
Deferred tax liabilities	—	—	**(814)**	**(814)**	—	—	(867)	(867)
	(206)	**(25,603)**	**(3,863)**	**(29,672)**	(285)	(34,781)	(3,916)	(38,982)
Net assets	**165**	**49,175**	**1,428**	**50,768**	1,319	52,838	1,392	55,549

4 Discontinued operations

The post-tax gain on disposal of discontinued operations was determined as follows:

	March 2014 £'000	September 2013 £'000	March 2013 £'000
Revenue	**1,358**	5,144	478
Expenses other than finance costs	**(1,202)**	(3,857)	532
Finance costs	—	(701)	(521)
Profit for the period	**156**	586	489

Earnings per share from discontinued operations

	March 2014	September 2013	March 2013
Basic earnings per share	**0.74p**	2.78p	2.32p
Diluted earnings per share	**0.74p**	2.77p	2.31p

Statement of cash flows

	March 2014 £'000	September 2013 £'000	March 2013 £'000
Operating activities	**1,137**	(701)	(6,275)
Investing activities	**112**	12,590	12,173
Financing activities	—	(12,237)	(9,987)
Net cash from discontinued operations	**1,249**	(348)	(4,089)

5 Investment properties-held for sale

	£'000
Valuation	
At 1 October 2012	15,178
Additions	5
Disposals	(15,010)
Loss on revaluation	(11)
At 30 September 2013	162
Additions	8
Disposals	(44)
At 31 March 2014	**126**

Residential investment properties owned by the group have been valued during the year to 30 September 2013 by qualified valuers from Allsop LLP, an independent firm of chartered surveyors, on an investment value basis. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

The Directors used the valuations prepared by Allsop LLP at 30 September 2013 as the basis of the valuation of residential investment properties as at 31 March 2014.

At 31 March 2014 the investment properties, part of the investment and residential property investment segment, were classified as held for sale. The properties are being actively marketed and are expected to complete within one year.

6 Development properties

	£'000
At 1 October 2012	70,284
Additions	25,266
Disposals	(36,404)
Amounts written back on the value of development properties	1,316
Amounts written off the value of development properties	(2,262)
At 30 September 2013	58,200
Additions	1,986
Disposals	(12,464)
Amounts written back on the value of development properties	1,251
Amounts written off the value of development properties	(94)
At 31 March 2014	**48,879**

No amounts are held in development properties in respect of construction contracts and retentions on such contracts are £Nil.

7 Trade and other receivables

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Trade receivables	**435**	1,146	2,738
Other receivables	**1,820**	3,552	2,268
Trade and other receivables	**2,255**	4,698	5,006
Amounts recoverable under construction contracts	**7,650**	8,249	9,558
Prepayments and accrued income	**5,691**	1,626	5,344
Amounts due from associates and joint ventures	**33,008**	32,897	28,717
Provision for amounts due from associates and joint ventures	**(33,003)**	(32,897)	(28,717)
	15,601	14,573	19,908

The movement in the allowance for impairment in respect of amounts due from associates and joint ventures during the period was as follows:

	£'000
At 1 October 2013	32,897
Increase in allowance on amounts due from associates and joint ventures	106
At 31 March 2014	**33,003**

The allowance is based on the directors' assessment of recoverability of amounts due from associates and joint ventures.

Amounts recoverable under construction contracts

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Contract costs incurred plus recognised profits less recognised losses to date	**9,385**	38,240	32,178
Less: progress billings	**(1,735)**	(29,991)	(22,620)
Contracts in progress at balance sheet date	**7,650**	8,249	9,558

8 Bank overdrafts and loans

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Bank loans	**19,722**	26,242	29,022
Bank overdrafts	**7**	162	1
	19,729	26,404	29,023
Unamortised loan issue costs	**(232)**	(275)	(130)
	19,497	26,129	28,893
Amounts due:			
Within one year	**4,957**	7,384	25,752
After more than one year	**14,540**	18,745	3,141
	19,497	26,129	28,893

9 Financial instruments

Categories of financial assets and financial liabilities

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Current financial assets			
Trade and other receivables	**2,255**	2,809	5,006
Amounts due from associates and joint ventures	**5**	—	—
Amounts recoverable under construction contracts	**7,650**	8,249	9,558
Cash and cash equivalents	**2,892**	8,482	18,493
Total current financial assets	**12,802**	19,540	33,057
Non-current financial assets			
Other investments	**4,279**	4,279	4,279
Total non-current financial assets	**4,279**	4,279	4,279
Total financial assets	**17,081**	23,819	37,336

There are no financial assets held at fair value (30 September 2013 and 31 March 2013: £Nil).The maximum exposure to credit risk in financial assets, excluding cash, is £14,185,000 (30 September 2013: £15,338,000 and 31 March 2013: £18,843,000). The maximum amount due from any single party is £4,279,000 (30 September 2013 and 31 March 2013: £4,279,000) included in other investments.

Financial liabilities measured at amortised cost

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Current financial liabilities			
Trade and other payables	**5,120**	8,129	14,034
Loans and borrowings	**4,985**	7,323	25,852
Total current financial liabilities	**10,105**	15,452	39,886
Non-current financial liabilities			
Loans and borrowings	**14,737**	18,919	3,170
Total non-current financial liabilities	**14,737**	18,919	3,170
Total financial liabilities	**24,842**	34,371	43,056

There are no financial liabilities designated at fair value (30 September 2013 and 31 March 2013: £Nil).

The fair value of the financial assets and liabilities is equal to the book value.

9 Financial instruments *continued*

Borrowings

The group's bank borrowings and overdrafts are repayable as follows:

	30 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
On demand or within one year	**4,992**	7,485	25,852
In more than one year but less than two	**14,737**	18,919	310
In more than two years but less than five	—	—	2,861
	19,729	26,404	29,023

The bank loans are secured by legal charges over the group's investment and development properties together with guarantees from certain subsidiary undertakings with a limited guarantee from the parent company. Loans with principal guarantees from the parent company were repaid during the year and after the balance sheet date.

Contingent liabilities, capital commitments and guarantees

The group has given a guarantee of £600,000 (30 September 2013 and 31 March 2013: £600,000) as part of its development obligations.

Capital commitments relating to development sites are as follows:

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Contracted but not provided for	**7,333**	27,765	40,382

10 Related party transactions

Included in fees and other income for the year are amounts charged in the ordinary course of business by group subsidiary companies to the following partnerships, associates, joint venture and connected parties:

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Castlegate House Partnership	**6**	18	9
Terrace Hill Residential PLC	**—**	16	3
Devcap 2 Partnership	**10**	20	10
Howick Place Office S.a.r.l.	**75**	—	—
Included in interest receivable for the year are amounts charged to the following partnerships and associates:			
Devcap 2 Partnership	**13**	430	71
Achadonn Limited	**37**	73	36

The following amounts due from the group's partnerships, associates and joint venture are included in receivables excluding provisions at the year end:

	31 March 2014 £'000	30 September 2013 £'000	31 March 2013 £'000
Castlegate House Partnership	**678**	678	678
Terrace Hill Residential PLC	**19,168**	19,143	14,943
Devcap 2 Partnership	**5,188**	5,188	5,188
Two Orchards Limited (in administration)	**5,000**	5,000	5,000
Achadonn Limited	**2,974**	2,888	2,908
	33,008	32,897	28,717

All amounts are due to group subsidiary companies, excluding an amount of £4.3 million from Terrace Hill Residential PLC due to Urban&Civic Group plc.

Amounts due from Achadonn Limited, Castlegate House Partnership, Devcap 2 Partnership and Two Orchards Limited have been fully provided.

10 Related party transactions *continued*

Terrace Hill Residential PLC

The group has accounted for its 49% share of Terrace Hill Residential PLC as an associate company. Of the other 51% shareholding in that company, 49% is held by the Skye Investments group and 2% by R F M Adair. Skye Investments Limited is a company ultimately owned by family trusts for the benefit of R F M Adair and family. As part of the security arrangements for the financing of a residential investment property portfolio by Terrace Hill Residential PLC, Skye Investments Limited had given a guarantee for £20.0 million. Skye Investments Limited and R F M Adair also advanced to Terrace Hill Residential PLC £15.8 million (2012: £15.8 million) by way of shareholder loans to assist in the funding of the acquisition and the ongoing working capital requirements of the associate. The group agreed a fee of 4.41% per annum on £5.0 million (being the amount by which the Skye Investments Limited guarantee exceeded the guarantee provided by the group), which is accrued in the group accounts. The charge in the period was £Nil (30 September 2013: £0.2 million and 31 March 2013: £0.1 million) and the total accrued at the end of the period is £0.3 million (30 September 2013: £0.7 million and 31 March 2013: £0.6 million). Following the discharge of the security guarantee, interest on the guarantee fee has ceased to accrue under this agreement. As at 28 May 2014 the group had paid £0.3 million in respect of this liability.

In consideration for Skye Investments Limited’s agreement in May 2013 for the acquisition of the properties by Urban&Civic Group plc from Terrace Hill Residential PLC, Skye Investments Limited have agreed to share the profits or losses on the sale of these assets to a third party. At the period end £0.1 million had been paid (30 September 2013 and 31 March 2013: £Nil) and a further £0.1 million (30 September 2013: £0.1 million and 31 March 2013: £Nil) has been accrued in a subsidiary company regarding this share of profits.

11 Post balance sheet events

Following the announcement on the 28 April 2014 the Company completed the following on 22 May 2014;

- Consolidated the existing ordinary shares into 1 new ordinary share for every 10 existing ordinary shares,
- Acquired Urban&Civic Holdings S.a.r.l in exchange for the issue of 43,084,456 new ordinary shares,
- Placing of new ordinary shares at a price of 225 pence per share raising £170m gross proceeds
- Admission to the main market of the London Stock Exchange

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the acquisition, the placing and the Rugby acquisition on the consolidated net assets of the Terrace Hill Group as if the acquisition, the placing and the Rugby acquisition had occurred on 31 March 2014. This unaudited pro forma statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Enlarged Group's actual financial position or results.

This unaudited pro forma statement of net assets has been prepared on the basis set out in the accompanying notes below.

			Adjustments				
	The Terrace Hill Group as at 31 March 2014 (note 5)	*Urban&Civic as at 31 December 2013 (note 6)*	*Conversion of Urban&Civic PECs to equity (note 1)*	*Acquisition of Urban&Civic (note 2)*	*Net Placing proceeds (note 3)*	*Rugby (note 4)*	*Enlarged Group pro forma statement of net assets*
	£m	*£m*	*£m*	*£m*	*£m*	*£m*	*£m*
Assets							
Non-current assets							
Investment properties	–	55.5	–	–	–	–	55.5
Property, plant and equipment	0.1	–	–	–	–	–	0.1
Investments in equity accounted associates and joint venture	1.0	–	–	–	–	16.7	17.7
Other investments	4.3	–	–	–	–	–	4.3
Intangible assets	2.4	–	–	5.9	–	–	8.3
Deferred tax assets	5.2	–	–	–	–	–	5.2
	13.0	55.5	–	5.9	–	16.7	91.1
Current assets							
Trading properties	0.1	45.6	–	–	–	–	45.7
Development properties	48.8	–	–	–	–	–	48.8
Trade and other receivables	15.6	1.5	–	–	–	–	17.1
Cash and cash equivalents	2.9	1.2	5.0	–	161.2	(16.7)	153.6
	67.4	48.3	5.0	–	161.2	(16.7)	265.2
Total assets	80.4	103.8	5.0	5.9	161.2	–	356.3
Liabilities							
Non-current liabilities							
Bank loans and borrowings	(14.5)	(80.7)	71.4	–	–	–	(23.8)
Other payables – guarantee	–	–	–	–	–	–	–
Deferred tax liabilities	(0.8)	–	–	–	–	–	(0.8)
	(15.3)	(80.7)	71.4	–	–	–	(24.6)
Current liabilities							
Trade and other payables	(6.3)	(2.4)	–	–	–	–	(8.7)
Current tax liabilities	(3.0)	–	–	–	–	–	(3.0)
Bank overdrafts and loans	(5.0)	–	–	–	–	–	(5.0)
	(14.3)	(2.4)	–	–	–	–	(16.7)
Total liabilities	(29.6)	(83.1)	71.4	–	–	–	(41.3)
Net assets	50.8	20.7	76.4	5.9	161.2	–	315.0

Notes to the unaudited pro forma statement of net assets for the Enlarged Group:

1. As part of the Acquisition, the existing Preferential Equity Certificates (PECs) in Urban&Civic at 31 December 2013 of £71.4 million were acquired by the Company. As a result, the debt will be eliminated upon consolidation within the Enlarged Group's financial statements. No adjustment to net assets is required in respect of the £6.5 million capitalised interest during the period as the properties were held at fair value before being transferred to investment properties held for sale. Therefore, any reduction in costs would be offset by an equal increase in the gain on revaluation for the associated properties.

   On 24 January 2014 a further £5.0 million of PECs were issued. A pro forma adjustment has been made to recognise the cash receipt. No adjustment has been made to non-current liabilities as the balance will be eliminated upon consolidation, together with the existing £71.4 million within the Enlarged Group's financial statements as explained above.

2. The Acquisition will be treated as a reverse acquisition in accordance with IFRS3 (revised) "Business Combinations". Accordingly, for accounting purposes, Urban&Civic will be treated as the acquirer and the Company will be the target.

   The consideration for reverse accounting purposes is considered to be Terrace Hill's 212 million existing ordinary shares in issue at 26.75 pence per share, being the middle market closing price of an Ordinary Share on the 21 May 2014. The share consideration is therefore valued at £56.7 million.

   As the value of the consideration is higher than the book value of the Terrace Hill Group's assets at 31 March 2014, after removing the pre-existing intangible asset, an estimated goodwill amount arises on completion of the Acquisition of £8.3 million. The goodwill is carried forward under IFRS with a requirement to undertake an annual impairment review. The goodwill is calculated as follows:

	£m
Consideration (Terrace Hill's issued share capital of 212 million Ordinary Shares at a price of 26.75 pence per share)	56.7
The Company's existing assets at 31 March 2014	(50.8)
Less the Company's consolidated pre-existing intangible	2.4
Goodwill arising	8.3

   For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the Terrace Hill Group to reflect their respective fair values. The net assets of the Terrace Hill Group will be subject to a fair value restatement as at the effective date of the Acquisition.

3. Gross proceeds from the Placing raising £170 million less the estimated total costs and expenses of £8.8 million.

4. Urban&Civic has entered into an agreement to acquire a 50 per cent interest in the Rugby Radio Station site for £16.7 million (before acquisition costs). It is expected that Urban&Civic will complete the acquisition later in 2014. The Rugby site has been valued at £27.5 million. No adjustment has been made to reflect the uplift in valuation in Urban&Civic's 50 per cent interest in Rugby.

5. No account has been taken of the financial performance of the Terrace Hill Group since 31 March 2014, nor of any other event save as disclosed above.

6. No account has been taken of the financial performance of Urban&Civic since 31 December 2014, nor of any other event save as disclosed above.

Half-yearly report

The half-yearly report is available, free of charge, from the company secretary, Urban&Civic plc, 1 Portland Place, London W1B 1PN.

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