Urban&Civic plc

("Urban&Civic", the "Company" or the "Group")

RESULTS FOR THE SIX MONTHS TO 31 MARCH 2016
CONTINUING MOMENTUM, STRONG START TO SALES

Urban&Civic plc (LSE: UANC) announces its unaudited results for the six months to 31 March 2016.

Financial highlights

- Profit before tax for the six months to March 2016 £8.4 million, 44 per cent above £5.8 million to March 2015
- EPRA net assets now £390.8 million (March 2015: £371.1 million; September 2015: £389.9 million)
- EPRA net assets per share up to 270.9p (March 2015 (restated): 258.2p; September 2015 (restated): 270.4p)
- Dividend for the period up 10 per cent to 1.1p per share for shareholders on the register on 10 June 2016 for payment on 22 July 2016, to take account of the newly introduced scrip dividend

Project highlights

- Strong start to Hopkins Homes JV sales at Alconbury; 21 reservations in four weeks since launch (post period end)
- Average price of £288 per sq.ft. (vs £250 per sq.ft. assumed in 31 March 2016 valuation)
- Land sales on 720,000 sq.ft. of commercial construction in Alconbury Enterprise Zone; a further 150,000 sq.ft. in advanced discussion
- Book valuation of unserviced plots at 31 March 2016 was £20,900 at Alconbury, £13,300 at Rugby and £8,000 at Newark; 1,253 plots now contracted on licence or under advanced discussion
- Large site wholesale discount estimated by Urban&Civic at £80 million, or 55p per share over current book
- Good Catesby contribution (netting £3.5 million pre-tax from three sales); record pipeline
- On track to submit planning application for 6,500 homes at Waterbeach by end 2016
- Urban&Civic commencing strategic site housebuilding on own account to capture further margin

In commenting on the results Nigel Hugill, Chief Executive, pointed to what he described as "strong continuing momentum" in the business. The maintained progression in affordable locations with rapid transport access means that the outcome for the full year to 30 September 2016 is unlikely to be much impacted by the forthcoming European vote:

"Purchasing power in Middle England and the continuation of Help to Buy are much bigger factors for Urban&Civic than Brexit. Our best barometer is to count the number of diggers on our sites. More than 20 reservations for our JV with Hopkins Homes at Alconbury in the four weeks since launch and with the show house not yet complete is testimony to the strength of demand and the quality of living environments that we are creating. The housebuilders are responding accordingly; three land parcels are contracted with a further four expected to close shortly, totalling more than 1,250 homes. With site momentum established, we can now also start housebuilding on our own account bringing improved margin capture and additional absorption."

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Chief Executive's statement

Introduction

I can report strong continuing momentum in the six months to 31 March 2016. Pre-tax profits were £8.4 million for the period, 44 per cent above the £5.8 million for the equivalent period last year. EPRA net assets per share at 270.9p were 5 per cent higher than 12 months ago (31 March 2015 (restated): 258.2p), if only marginally above the 270.4p at the 30 September 2015 year end (restated). The underlying asset position feels decidedly better. By way of illustration, we estimate the difference between the wholesale valuation of large sites as carried in our books and current land parcel sales to housebuilders, having accounted for the cost of servicing, to be around £80 million or 55p per share. Our licence model will produce higher figures.

Housebuilders are reacting enthusiastically to the proposition of fully serviced housing plots in high quality environments to be developed under licence. The post-balance sheet evidence from first housing sales at Alconbury is fully positive. There is necessarily a lag in valuation and earnings contribution but we are already locking in growth for 2017. Elsewhere, Catesby continues to benefit from a relatively propitious political climate for residential planning consents, posting a £3.5 million pre-tax profit contribution in the six months to 31 March 2016. The cash that was spent in buying the business last year has been repaid already and Catesby enjoys a record pipeline.

Recognising the strong momentum within the residential business, the Board has approved the payment of an interim dividend of 1.1p per share, payable on 22 July 2016 to shareholders on the register on 10 June 2016. The payment represents a 10 per cent increase over the first half of last year and reflects underlying progress. The revised timetable takes account of the newly introduced scrip dividend scheme.

Housing and strategic sites

The Office for National Statistics showed annual house price inflation in March 2016 rising at 9 per cent, the fastest rate since November 2014. The national figures are highly differentiated. Crudely, Central London is suffering some indigestion after feasting on rich fare; outer London boroughs continue to advance, reflecting maintained population growth and high employment; there is a 100-mile circle around London, where the picture for well connected locations such as Alconbury and Rugby is pretty much the same as outer London with exceptional increases when powered by local economies, notably in Cambridge; pockets of real growth elsewhere, especially in major cities with international postgraduate-attracting universities and sustained inward employment, most obviously Bristol, Edinburgh, Leeds and Manchester. Our current asset positioning sits quite well into that framework; we are also working hard on our pipeline to fill the more obvious gaps.

Meanwhile, the planning system is increasingly long and costly but with a high likelihood of positive determination on well constructed residential applications. The success of recovered appeals, being the appeals that the Secretary of State calls in for his own determination, is now practically back at mid-term Coalition levels of around 75 per cent. Successful recovered appeals more than halved in the run up to the election. Those processes take time and cost money with the barriers to entry becoming correspondingly higher. Moreover, from London Zone 3 outwards, new housing purchases tend to be very dependent on Help to Buy support. Absent the Bank of Mum and Dad, buying new properties with Help to Buy has been the principal route by which first (and quite often second) time buyers are able to gain access to a sufficiently high LTV mortgage. Premium prices over historic housing stock tend to become payable in the process. The major housebuilders are thriving in this environment, with margins to match.

The outcomes for Urban&Civic are mostly but not entirely positive. The resulting Catesby contribution was the biggest single driver to considerably increased Group profits before tax in the six months to 31 March 2016. As a well funded specialist promoter, operating predominantly in the western portion of the golden circle with unequivocal landowner alignment and part of a planning expert Urban&Civic, Catesby, could scarcely be better positioned. Moreover, whilst it is not possible to force positive determinations within prescribed financial periods, there is no reason to suppose that the record Catesby pipeline will deliver anything other than commensurate returns whilst current conditions maintain. Personnel resources are being supplemented accordingly.

The first house sales at Alconbury effectively in joint venture with Hopkins Homes began last month. The roads and all services are in for the initial phases, mature trees planted and the primary school ready to open in September, even though the roof has only just gone on to the show house. Huntingdonshire is one of the more affordable areas within ready commuting distance of the capital. More than 20 reservations have been taken at Alconbury in the four weeks since launch. Average prices achieved to date equate to about £288 per sq.ft., as compared with £250 per sq.ft. assumed in the 31 March 2016 valuations. Tellingly, three quarters of reservations to date are using Help to Buy. The next five parcels (three at Rugby and two at Alconbury) are all being undertaken under licence. Davidsons Homes will be digging foundations at Rugby soon, to be followed by Morris Homes, which is now contracted at Alconbury and soon to be at Rugby. The expectation is that Morris will be on site in both locations in the autumn. Having established templates, the paperwork is now becoming a whole lot easier. Final negotiations with two further builders are expected to complete shortly. At that point, we will have about 495 residential plots being progressed at Alconbury and 600 at Rugby.

On the other hand, where we have been impacted negatively in drawing up 31 March 2016 EPRA numbers has been in changed valuation assumptions. To reflect prevailing conditions, the assumed margins were moved out 2 per cent to 22 per cent. The shift was for the entire life of our schemes, broadly 15 years. The negative consequence amounted to approximately £14 million, or approaching 4 per cent of our EPRA net asset value as at 31 March 2016. In addition, the figures also legitimately contain what amounts to a continuing discount for scale and the cost of servicing on our strategic holdings. The discount was about £80 million against 31 March 2016 land parcel sale valuations at Alconbury and Rugby, equivalent to 20 per cent on EPRA NAV at the interim stage. This ought to begin to unwind as licensed sales are realised.

Our licence model affords material protection in terms of actual receipts but not to appraised residual land sales as valued in our accounts. The consequence is that Alconbury and Rugby holdings were written up only modestly at 31 March 2016 (by £6.0 million and £2.5 million respectively. The corresponding valuation of unserviced plots at 31 March 2016 was £20,900 at Alconbury and £13,300 at Rugby. We continue to expect to achieve better than 2x those appraised values through contracted sales arrangements. First occupations at Alconbury will be October 2016. Newark was written down at 31 March 2016 to the equivalent of £8,000 per unserviced land plot. We are in solicitors' hands on a licence for the first 160 units and negotiating on further blocks. Initial house sales in 2017 are likely again to yield 2.5x current book values, albeit on lower densities.

The best Urban&Civic barometer to measure housebuilder interest is the number of diggers on our sites. We are certainly doing our bit for employment numbers at present. Having undertaken much of the hard work and substantiated housebuilder demand, the same investment means that we are in a position to construct and sell houses on our own serviced land with only modest resulting capital commitment (and risk), relative to margin outcome. We are to start by coming on as the third or fourth participant on existing strategic land sites. Our intention is to employ a main contractor directly on our behalf. The margin capture on those units will significantly exceed the incremental staff costs. The reasonable presumption is that cash realisations on own account sales will be around 5x 31 March 2016 book values on our consented strategic sites. Reserved matters applications will be submitted by us first at Alconbury later in the year, with a view to our commencing in spring 2017. We ought to quite quickly reach 150 units per year across our three existing sites. In addition, we are still aiming to submit an outline planning application to include 6,500 new residential units at Waterbeach, on the northern outskirts of Cambridge, by the end of this year.

Commercial and city centre projects

Here also the extent of progress seems better than the balance sheet entries. Handover of the 59-unit waterside apartment conversion at Bristol Bridge Quay commences next month. £3.0 million of EPRA uplift (on total apartment sales of £18.0 million) was taken in the six months to 31 March 2016, to reflect better than budgeted prices. Completions will be recognised through the income statement in the second half. Contracts are exchanged or agreed for three large commercial buildings (constituting about 840,000 sq.ft. of constructed space) on 34 acres of Enterprise Zone land at Alconbury. Total proceeds will be approximately £9.4 million, which is modestly over current book value, with receipts anticipated in the second half. We are shortly to begin a design competition in conjunction with the City Council at our Deansgate hotel in Manchester, which has turned into an attractive income-producing land bank. The residual value as at 31 March 2016 was appraised at £17.25 million. The projected 2016 net contribution from the hotel back to Urban&Civic is £1.6 million, double the annualised income on acquisition in December 2014.

The uplifts were counterbalanced by downward adjustments, some of which ought not to sustain for long. The major negative relates to the decision by Sainsbury's to postpone occupation of the store at Herne Bay in Kent which was handed over at the end of April 2016 and the lease completed. The lease is for 25 years at an initial rent of £2.2 million per annum, with annual RPI increases capped at 4 per cent but collared at 2 per cent. The retailer has had to confront substantial local hostility and, unlike some other non-occupied stores, Herne Bay fits squarely within target catchment. There is also demonstrable unsatisfied retail occupier demand in the area; we are working on adjoining retail park proposals. Formal decisions as to the timing and nature of usage are unlikely to be made by Sainsbury’s until later in the year, so the net asset value was taken down at 31 March 2016 to £32.0 million, representing a yield of 5.75 per cent and a reduction of £3.9 million from the EPRA entry at September 2015.

Our retail and leisure park investment at Bradford, together with the residential development at Princess Street in Manchester and the Hampton by Hilton hotel at Stansted, were also appraised lower at 31 March 2016, in aggregate by about £4 million. At Bradford, we go to planning next month with officer recommendation to approve a pre-let pair of drive-thru units as part of a more comprehensive upgrade; at Princess Street, we will be submitting a revised scheme shortly to increase the number of apartments within already established height and massing. There is much demand for well located new apartments in Manchester at present and institutional development partnering discussions are advancing in parallel with the revised designs.

Construction is proceeding well with the new on-airport hotel at Stansted, which is scheduled to open in August 2017. Passenger numbers are climbing rapidly; Stansted had more than 1.96 million through the departure gates in April 2016. Total numbers for the 12 months to April 2016 grew to more than 23.2 million, an increase of 10.1 per cent over the previous year and the highest annual total since July 2008. Whilst the debates rage elsewhere, Stansted has officially recognised existing runway capacity for 35 million passengers and is, increasingly, also serving the Cambridge tech sub-region. The 357-room hotel will be only one of two with direct pedestrian access to the terminal and has been designed to readily accommodate expansion. The interim reduction in appraised value reflects an assumed incoming developers' discount prior to room rates becoming established.

Pipeline
The cash being generated from our existing strategic pipeline is beginning to flow and will become compounded by housebuilding on our own account on the big sites. We are actively working to add major projects within the areas identified as strong, outer London, golden circle and strongest cities, as well as targeted leisure schemes elsewhere where local markets are seen as underserved. Much of our attention is focused on partnering with Local Authorities or related institutions, where we have enjoyed considerable success in the past. The front end can be pretty tortuous and OJEU processes, in particular, sometimes make darkened rooms with no doors appear attractive. We are shortlisted currently on a number, of which Haringey in London and Mayfield in Manchester have been announced publicly. The common presumption is for public project championing where the skill base of Urban&Civic can help improve areas and monetise value enhancement through joint delivery. Ours is a strongly partnership-based model.

Personal thanks
There have been recent Board changes for which I want to record appreciation and thanks. Robert Adair founded Terrace Hill more than 20 years ago. Despite his having to relinquish effective control in the process, Robert was a strong supporter of the reverse into Urban&Civic to create a newly enlarged business defined by our projects. He stood down last month, having served as Deputy Chairman for almost two years. Deeply grateful thanks. Alan Dickinson became Chairman and we are fortunate to have him. The Board structure of Urban&Civic is now compliant with the FRC recommendations for corporate governance. It has been further announced that Jon Austen is to be succeeded by David Wood as Finance Director. We will save our compliments to Jon for later. In the meantime, continuing personal thanks to all Board and staff colleagues. We work together with the collective purpose of delivering for our shareholders and stakeholders alike.

Nigel Hugill
Chief Executive
26 May 2016

Finance review

Highlights
The Group's IFRS NAV has grown to £352.5 million (244.4p per share) from £347.8 million (241.2p per share restated), as of 30 September 2015, albeit the Group's EPRA NAV has grown by a smaller amount.

EPRA NAV – The Group considers EPRA NAV per ordinary share and changes in such value to be the most important indicator of the Group's performance. The EPRA NAV includes the fair value of all the Group's assets and liabilities whereas under IFRS, the Group cannot reflect in its financial statements the fair value of its trading properties, which are carried at the lower of cost and net realisable value. The EPRA NAV at 31 March 2016 and 30 September 2015 was £390.8 million (270.9p per share) and £389.9 million (270.4p per share restated) respectively. See note 19 for further detail.

Total shareholder return – During the period we paid a final dividend of 1.65p per share in respect of the year to 30 September 2015 and at 31 March 2016 the share price was 255.0p, resulting in an overall 4.2 per cent decrease in total shareholder return in the six months to 31 March 2016 compared with a fall in the FTSE 350 Real Estate Index of 9.0 per cent over the same period.

Consolidated statement of comprehensive income
The consolidated statement of comprehensive income includes the results of the Urban&Civic Group for the six months from 1 October 2015. The comparative figures represent the six and 12 months' results of

the Urban&Civic Group, including the results of Catesby for the period from its acquisition on 27 February 2015, to 31 March 2015 and 30 September 2015, respectively.

A commentary on significant items is set out below:

Revenue

Revenue for the period of £29.5 million includes trading property sales of £22.3 million and rental and other property income of £7.2 million. The trading property sales of £22.3 million include proceeds of £16.0 million received in respect of the sale of two land promotion sites at Sherborne, Dorset and Shefford, Bedfordshire, the disposal of a managed workspace office in Doncaster and a parcel of land in Bishop Auckland for £2.6 million and £0.4 million respectively and the reimbursement of infrastructure works expenditure carried out as part of the development of Baltic Business Quarter in Gateshead of £3.0 million.

Rental income for the period included within revenue includes £1.2 million in relation to the Alconbury site, £1.2 million in relation to commercial office assets in Teesside, Bristol and London, and £0.6 million in relation to our retail park in Bradford. We also recognised £4.1 million in respect of the hotel operations at our Deansgate, Manchester, site.

Direct costs

Direct costs of £21.3 million include £16.1 million relating to the sales at Sherborne, Shefford, Doncaster, Bishop Auckland and Baltic Business Quarter. Direct property expenses include £3.2 million in relation to the hotel operations at Deansgate, Manchester, and £0.3 million of depreciation on that asset. The property write down of £0.1 million is in relation to our commercial office asset at Teesside where the period until lease expiries has shortened.

Administrative expenses

Administrative costs of £4.7 million were incurred in the period after capitalised administrative costs of £3.6 million into various projects under development. Included within administrative expenses is £0.9 million of share-based remuneration that is credited to retained earnings and therefore has no impact on net asset value.

Other

The surplus on revaluation of investment properties of £1.6 million reflects a £2.9 million gain on the proportion of the increase in value of the Alconbury project relating to that element of Alconbury that is categorised as an investment property and write downs of £1.3 million on commercial assets, primarily resulting from the write off of acquisition costs incurred on the Bradford property and increased rates in SDLT.

CBRE’s valuation of Alconbury including both the investment and trading element has increased from £147.5 million at 30 September 2015 to £162.8 million at 31 March 2016. The principal reasons for the increase in value of this asset were:

- expenditure on the site, predominantly demolition and infrastructure, of £9.3 million; and
- valuation uplift of £6.0 million.

As noted above, the Group has recognised £2.9 million of the £6.0 million valuation uplift through the income statement and the remaining £3.1 million is attributable to the element included within trading properties which is an adjustment for EPRA purposes.

Share of post-tax profit from joint venture

The Group has recognised £2.4 million representing its share of the post-tax profits of joint ventures. This represents our share of the results of the Rugby joint venture where the whole site increased in value from £75.3 million at 30 September 2015 to £88.1 million at 31 March 2016. The principal reasons for the increase in value of this asset were £7.9 million of expenditure on the site and valuation uplift of £4.9 million.

Net finance income
The amount of £0.8 million of net finance income primarily relates to £0.7 million of interest earned on bank deposits and on development agreements. The Group incurred £0.1 million on investment borrowings and £0.3 million on development borrowings that have been capitalised into the cost of the relevant properties under construction.

Taxation expense
The tax charge for the period of £1.8 million includes a movement in deferred tax predominantly in respect of the revaluation of Alconbury and Rugby of £0.6 million and utilisation of tax losses brought forward in the six months to 31 March 2016 of £1.2 million.

Dividend
The Group paid its final dividend for the year to 30 September 2015 in February 2016 at the rate of 1.65p per share, amounting to £2.4 million. The Board has approved to pay an interim dividend of 1.1p per share in respect of this six-month period to shareholders on the register on 10 June 2016 with a payment date of 22 July 2016. Investors choosing to participate in the newly introduced dividend reinvestment scheme will need to make their elections by 24 June 2016.

Consolidated balance sheet
Non-current assets
Investment properties

Included in investment properties is the part of the Group's investment in Alconbury that the Group intends to retain as a long-term investment, which comprises the commercial element of the land and 25 per cent of the residential land. The Alconbury site in its entirety has been valued by CBRE at 31 March 2016 at £162.8 million. The overall increase in valuation of Alconbury was £6.0 million and was achieved after capital expenditure of £9.3 million (including £0.9 million of capitalised overheads). This increase resulted in unserviced residential plot values increasing in the period by 13.1 per cent to £20,900, still less than 50 per cent of the amounts expected to be received on sales contracted to date. The value of the investment property element of the site is £77.3 million. Also included in investment properties on the balance sheet is the Group's investment in the retail park at Bradford and the leisure scheme at Darlington, both of which have been externally valued at £11.1 million and £20.8 million respectively. The external valuation of Bradford has led to a £1.0 million reduction in carrying value. Included within investment property additions is £0.9 million of capitalised overheads.

Property, plant and equipment

During the period our Group moved an office into the newly completed Club building at Alconbury. On completion of the building and following the decision for the Group to occupy a part of the new building, the cost of £3.0 million attributable to the Club was transferred from investment property to property, plant and equipment. Also included here is £1.1 million attributable to the hotel that operates from Deansgate, Manchester.

Investment in equity accounted joint ventures and associates

The Group's investment in its 50 per cent share of the Rugby joint venture has been included in the balance sheet at £43.2 million, which effectively represents its share of the Rugby site at its 31 March 2016 external valuation. The Group also includes here its £2.5 million investment in a joint venture that owns a land site in Scotland and £1.2 million in an industrial site development adjacent to our foodstore site at Herne Bay, Kent.

Deferred tax assets

The Group has recognised an asset of £7.4 million in respect of the Group's tax losses which are expected to be utilised against future profits of the Group.

Current assets
Trading properties

Additions to trading properties during the period amounted to £35.7 million. The principal elements of the additions were £9.7 million on the completion of the site and commencement of development for the Stansted Airport hotel, expenditure at the strategic land sites of Alconbury, Newark and Waterbeach of

£11.5 million, construction costs of £10.4 million for the developments at Herne Bay and Bridge Quay that are nearing completion and £2.2 million at our Manchester sites. Included within additions is £2.7 million of capitalised overheads.

Trade and other receivables
Trade receivables are largely represented by £16.8 million due in respect of sales of land promotion sites which are due on a staged basis, £3.5 million of other receivables and £4.7 million of prepayments and accrued income.

Cash
Cash balances were £30.6 million at the period end, down from £43.6 million at the end of September 2015. The principal expenditure in the period has been due to the continued expenditure of £37.4 million across all the sites under development, offset by loans of £21.2 million drawn down.

Non-current liabilities
Borrowings
In addition to the £11.2 million loan from the Homes and Communities Agency drawn down in the prior year (with a current period balance of £11.6 million due to accrued interest), the Group has put in place two additional loans from commercial banks. We have drawn one investment loan of £6.8 million on the retail park at Bradford and have also drawn down £14.4 million of a £19.3 million facility to finance the Herne Bay development (which are reduced on the balance sheet by £0.6 million of fees). Both of these loans are secured against the sites on which they are drawn.

Deferred tax liabilities
Deferred tax liabilities at 31 March 2016 largely reflect deferred tax on the valuation uplift reflected on the Group's interest in the sites at Alconbury and Rugby.

Current liabilities
Trade and other payables of £31.0 million include £6.4 million of trade payables, tax and social security of £0.5 million, other payables of £12.7 million, accruals of £9.0 million and deferred income of £2.4 million. Trade payables include £5.3 million in respect of active developments and will be settled in the ordinary course of business. Other payables include £3.3 million of deferred cash consideration in respect of the 2015 Catesby acquisition which was settled in April 2016 and £7.6 million in relation to deferred payments to landowners on land promotion sales. Amounts included in accruals and deferred income relate to uninvoiced amounts relating to a number of construction projects and £1.8 million in relation to the amounts received on exchange for flats at Bridge Quay, Bristol.

Equity attributable to equity holders of the parent
The movements in equity attributable to equity holders of the parent are set out in detail in the consolidated statement of changes in equity.

EPRA net asset value
The EPRA NAV and NNNAV of the Group have been determined as follows:

	£'000	Number of shares '000	Pence per share
Net asset value (NAV)	**352,490**	**144,245**	**244.4p**
Revaluation of property held as current assets	33,720		
Deferred tax liability on revaluation of property	4,548		
EPRA NAV	**390,758**	**144,245**	**270.9p**
Deferred tax liability on revaluation of property	(10,955)		
EPRA NNNAV	**379,803**	**144,245**	**263.3p**

A detailed property by property analysis of the EPRA revaluation adjustments is included in note 19 to the interim statement together with an analysis of the determination of the dilutive number of shares used in the calculation of EPRA NAV per share. The EPRA revaluation adjustments reflect the differences between market and accounting values of our trading properties. The total revaluation adjustment of £33.7 million is £4.4 million lower than as at 30 September 2015 for the following main reasons:

	£'m
An increase due to valuation movements at Alconbury	3.1
An increase due to higher expected profit at Bridge Quay	3.0
A reduction due to lower profits expected at Herne Bay	(3.9)
A reduction due to lower market value than carrying value at Stansted	(1.4)
A reduction due to lower market value than carrying value at Manchester	(0.6)
A reduction due to lower growth in value at Newark	(1.1)
A reduction due to land promotion profits at Sherborne and Shefford now recognised in the income statement	(4.7)
An increase due to anticipated profits on land promotion sites	1.2
Total	**(4.4)**

Financial resources and capital management

The Group had £32.1 million of external borrowings at 31 March 2016 and £30.6 million of cash, thus net debt of £1.5 million for the first time since the Group's May 2014 transaction and fundraising. The Group has £23.4 million of undrawn debt from its existing committed loan facilities and since the period end has signed an unsecured three-year revolving credit facility of £25.0 million and expects to sign a five-year £14.4 million investment facility secured on the Darlington leisure development in the next few weeks. The Group is also in negotiation with the Homes and Communities Agency as regards a further infrastructure loan for Alconbury in order to accelerate the pace of investment at that site. The Group will continue to fund its development programme by using its cash resources and existing borrowing facilities and expects to increase its external borrowings to provide funding for its future commercial developments on an as needs basis whilst maintaining an overall conservative approach to gearing. The Group monitors bank lending and interest rate markets closely and maintains a detailed five-year business plan which it uses to predict its usage of its cash balances on a project by project basis.

Principal risks and uncertainties

The principal risks of the business are set out on pages 84 to 89 of the 2015 Annual Report and Accounts and include commentary on their potential impact, links to the Group's strategic priorities and the relevant mitigation factors.

Since the publication of the 2015 Annual Report and Accounts, the Board believes that there has been no material change to the principal risks and the reported mitigation actions remain appropriate to manage the risks.

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Signed on behalf of the Board on 26 May 2016

Jon Austen
Group Finance Director

Consolidated statement of comprehensive income

For the six-month period ended 31 March 2016

	Notes	**Six months to 31 March 2016 Unaudited £'000**	Six months to 31 March 2015 Unaudited £'000	Year ended 30 September 2015 Audited £'000
Revenue	2	**29,510**	12,243	55,478
Direct costs	2	**(21,291)**	(10,816)	(51,924)
Gross profit	2	**8,219**	1,427	3,554
Acquisition costs		—	(857)	(857)
Other administrative expenses		**(4,696)**	(5,487)	(9,493)
Administrative expenses	3	**(4,696)**	(6,344)	(10,350)
Other operating income		**17**	187	347
Discount on acquisition		—	4,731	4,731
Surplus on revaluation of investment properties	9	**1,649**	1,674	1,930
Share of post-tax profit from joint venture	11	**2,405**	700	3,760
Impairment of loans to joint ventures		—	—	(826)
Surplus on revaluation of other investment		—	1,208	—
Profit on disposal of other investment		—	—	1,326
Release of other liabilities		—	1,922	1,922
Operating profit	3	**7,594**	5,505	6,394
Finance income	5	**896**	314	665
Finance costs	5	**(100)**	(4)	(20)
Profit before taxation		**8,390**	5,815	7,039
Taxation expense	6	**(1,822)**	(124)	(14)
Profit after taxation and total comprehensive income		**6,568**	5,691	7,025
Basic earnings per share	7	**4.6p**	4.0p	5.0p
Diluted earnings per share (restated)	7	**4.5p**	4.0p	4.9p

The Group had no amounts of other comprehensive income for the current or prior periods and the profit for the respective periods is wholly attributable to equity shareholders.

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Consolidated balance sheet

As at 31 March 2016

	Notes	**31 March 2016 Unaudited £'000**	31 March 2015 Unaudited £'000	30 September 2015 Audited £'000
Non-current assets				
Investment properties	9	**109,186**	88,489	98,615
Property, plant and equipment	10	**5,335**	186	2,708
Investments in joint ventures and associates	11	**47,418**	19,608	41,718
Other investment	11	—	6,602	—
Deferred tax assets	12	**7,441**	8,376	8,657
		169,380	123,261	151,698
Current assets				
Trading properties	13	**193,340**	144,318	163,459
Trade and other receivables	14	**26,806**	26,028	33,268
Corporation tax		**12**	—	—
Cash and cash equivalents		**30,578**	107,624	43,574
		250,736	277,970	240,301
Total assets		**420,116**	401,231	391,999
Non-current liabilities				

Borrowings	16	**(32,127)**	(11,221)	(11,408)
Deferred tax liabilities	12	**(4,509)**	(3,778)	(3,967)
		(36,636)	(14,999)	(15,375)
Current liabilities				
Trade and other payables	15	**(30,990)**	(37,237)	(28,796)
Corporation tax		**—**	(1,987)	—
		(30,990)	(39,224)	(28,796)
Total liabilities		**(67,626)**	(54,223)	(44,171)
Net assets		**352,490**	347,008	347,828
Equity				
Share capital	17	**28,801**	28,801	28,801
Share premium account		**168,186**	168,186	168,186
Equity shares to be issued	18	**1,948**	1,948	1,948
Capital redemption reserve		**849**	849	849
Own shares		**(3,404)**	(3,951)	(3,951)
Other reserve		**111,985**	111,985	111,985
Retained earnings		**44,125**	39,190	40,010
Total equity		**352,490**	347,008	347,828
NAV per share (restated)	19	**244.4p**	241.4p	241.2p

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Consolidated statement of changes in equity

For the six-month period ended 31 March 2016

	Share capital £'000	Share premium account £'000	Equity 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**
Share-based payment expense	—	—	—	—	—	—	935	935
Share option exercise satisfied out of own shares	—	—	—	—	1,120	—	(1,036)	84
Purchase of own shares	—	—	—	—	(573)	—	—	(573)
Total comprehensive income for the period	—	—	—	—	—	—	6,568	6,568
Dividends paid	—	—	—	—	—	—	(2,352)	(2,352)
Balance at 31 March 2016 (unaudited)	**28,801**	**168,186**	**1,948**	**849**	**(3,404)**	**111,985**	**44,125**	**352,490**
Balance at 1 October 2014	**28,099**	**168,186**	**—**	**849**	**(254)**	**103,442**	**34,740**	**335,062**
Shares issued in part consideration for the acquisition of Catesby Property Group plc	702	—	1,948	—	—	8,543	—	11,193
Purchase of own shares	—	—	—	—	(3,697)	—	—	(3,697)
Share-based payment expense	—	—	—	—	—	—	866	866
Total comprehensive income for the period	—	—	—	—	—	—	5,691	5,691
Dividends paid	—	—	—	—	—	—	(2,107)	(2,107)
Balance at 31 March 2015 (unaudited)	**28,801**	**168,186**	**1,948**	**849**	**(3,951)**	**111,985**	**39,190**	**347,008**
Balance at 1 October 2014	**28,099**	**168,186**	**—**	**849**	**(254)**	**103,442**	**34,740**	**335,062**
Shares issued in part consideration for the acquisition of Catesby Property Group plc	702	—	1,948	—	—	8,543	—	11,193
Purchase of own shares	—	—	—	—	(3,697)	—	—	(3,697)
Share-based payment expense	—	—	—	—	—	—	1,777	1,777
Total comprehensive income for the year	—	—	—	—	—	—	7,025	7,025
Dividends paid	—	—	—	—	—	—	(3,532)	(3,532)
Balance at 30 September 2015 (audited)	**28,801**	**168,186**	**1,948**	**849**	**(3,951)**	**111,985**	**40,010**	**347,828**

Consolidated cash flow statement

For the six-month period ended 31 March 2016

	Six months to 31 March 2016 Unaudited £'000	Six months to 31 March 2015 Unaudited £'000	Year ended 30 September 2015 Audited £'000
Cash flows from operating activities			
Profit before taxation	**8,390**	5,815	7,039
Adjustments for:			
Surplus on revaluation of investment properties	**(1,649)**	(1,674)	(1,930)
Share of post-tax profit from joint venture	**(2,405)**	(700)	(3,760)
Surplus on revaluation of other investment	—	(1,208)	—
Finance income	**(896)**	(314)	(665)
Finance costs	**100**	4	20
Depreciation charge	**527**	32	694
Impairment of loans of joint ventures	—	—	826
Release of other liabilities	—	(1,922)	(1,922)
Discount on acquisition	—	(4,731)	(4,731)
Share-based payment expense	**935**	866	1,777
Cash flows from operating activities before change in working capital	**5,002**	(3,832)	(2,652)
Increase in trading properties	**(27,695)**	(32,477)	(50,094)
Decrease/(increase) in trade and other receivables	**7,799**	(4,881)	(12,495)
(Decrease)/increase in trade and other payables	**(2,587)**	922	5,071
Cash absorbed by operations	**(17,481)**	(40,268)	(60,170)
Finance costs paid	**(87)**	(4)	(20)
Finance income received	**765**	338	663
Tax paid	**(155)**	(27)	(1,836)
Net cash flows from operating activities	**(16,958)**	(39,961)	(61,363)
Investing activities			
Acquisition of subsidiaries net of cash acquired	—	(12,134)	(12,134)
Additions to investment properties	**(9,664)**	(8,523)	(31,959)
Additions to property, plant and equipment	**(165)**	(27)	(3,211)
Investment in joint ventures	**(3,295)**	(1,925)	(21,922)
Proceeds from disposal of investment	—	—	5,394
Net cash flows from investing activities	**(13,124)**	(22,609)	(63,832)
Financing activities			
New loans	**21,183**	11,221	11,221
Issue costs of new loans	**(1,256)**	—	—
Grant income received	—	2,015	2,015
Consideration received for transfer of own shares	**84**	—	—
Purchase of own shares	**(573)**	(3,697)	(3,697)
Dividends paid	**(2,352)**	(2,107)	(3,532)
Net cash flows from financing activities	**17,086**	7,432	6,007
Net decrease in cash and cash equivalents	**(12,996)**	(55,138)	(119,188)
Cash and cash equivalents at start of period	**43,574**	162,762	162,762
Cash and cash equivalents at end of period	**30,578**	107,624	43,574

Notes to the condensed consolidated interim financial statements

For the six-month period ended 31 March 2016

1. 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 2015 Annual Report and Accounts. The financial information for the six months ended 31 March 2016 and 31 March 2015 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 Urban&Civic plc for the year ended 30 September 2015 have been reported on by the Company's auditor and have been delivered to the Registrar of Companies. The independent auditor's report on the annual accounts for 2015 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under sections 498(2) or 498(3) of the Companies Act 2006.

Significant accounting policies

The same accounting policies, presentation and method of computation are followed in these condensed interim financial statements as were applied in the Group's latest audited financial statements and using accounting policies that are expected to be applied for the financial year ending 30 September 2016. Since the 2015 annual accounts were published, the IASB has issued IFRS 16 'Leases', which, subject to EU endorsement, is effective for periods commencing on or after 1 January 2019. However, since IFRS 16 will not result in significant changes to the accounting by lessors, the adoption of this standard is not expected to have a material impact on the Group's reporting.

Use of estimates and judgements

There have been no material revisions to the nature and amount of estimates reported in the 2015 accounts, other than changes to certain assumptions applied in the valuation of properties. Details of the key assumptions applied at 31 March 2016 are set out in notes 9 and 11.

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. Revenue and gross profit

	Six months to 31 March 2016 £'000	Six months to 31 March 2015 £'000	Year ended 30 September 2015 £'000
Trading property sales	**22,295**	1,647	12,732
Revenue on construction contracts	**—**	7,978	30,772
Rental and other property income	**6,723**	2,401	10,424
Recoverable property expenses	**492**	—	844
Project management fees and other income	**—**	217	706
Revenue	**29,510**	12,243	55,478
Cost of trading property sales	**(16,054)**	(1,712)	(9,552)
Cost of construction contracts	**—**	(7,316)	(30,059)
Direct property expenses	**(4,622)**	(1,788)	(7,067)
Recoverable property expenses	**(492)**	—	(844)
Write down of trading properties	**(123)**	—	(4,402)
Direct costs	**(21,291)**	(10,816)	(51,924)
Gross profit	**8,219**	1,427	3,554

3. Operating profit

Operating profit is arrived at after allocating £3,587,000 of administrative expenses to the cost of investment and trading properties (six months to 31 March 2015: £2,441,000; year ended 30 September 2015: £6,969,000).

4. Segmental information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and the 2015 Annual Report and Accounts. The chief operating decision-maker has been identified as the Board of Directors.

Consolidated statement of comprehensive income
For the six-month period ended 31 March 2016

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	19,608	9,902	—	29,510
Direct costs	(14,214)	(7,077)	—	(21,291)
Gross profit	5,394	2,825	—	8,219
Share-based payment expense	—	—	(935)	(935)
Other administrative expenses	—	—	(3,761)	(3,761)
Administrative expenses	—	—	(4,696)	(4,696)
Other operating income	17	—	—	17
Surplus/(deficit) on revaluation of investment properties	2,903	(1,254)	—	1,649
Share of post-tax profit from joint venture	2,405	—	—	2,405
Operating profit/(loss)	10,719	1,571	(4,696)	7,594
Net finance income	173	565	58	796
Profit/(loss) before tax	10,892	2,136	(4,638)	8,390

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 balance sheet
As at 31 March 2016

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	77,276	31,910	—	109,186
Property, plant and equipment	2,983	1,143	1,209	5,335
Investments in joint ventures and associates	43,202	4,216	—	47,418
Deferred tax assets	—	—	7,441	7,441
Non-current assets	123,461	37,269	8,650	169,380
Trading properties	99,939	93,401	—	193,340
Trade and other receivables	18,011	8,795	—	26,806
Corporation tax	12	—	—	12
Cash and cash equivalents	—	—	30,578	30,578
Current assets	117,962	102,196	30,578	250,736
Borrowings	(11,593)	(20,534)	—	(32,127)
Trade and other payables	(12,767)	(18,223)	—	(30,990)
Deferred tax liabilities	(4,509)	—	—	(4,509)
Total liabilities	(28,869)	(38,757)	—	(67,626)
Net assets	212,554	100,708	39,228	352,490

Consolidated statement of comprehensive income
For the six-month period ended 31 March 2015

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Revenue	1,460	10,783	—	12,243
Direct costs	(982)	(9,834)	—	(10,816)
Gross profit	478	949	—	1,427
Acquisition costs	—	—	(857)	(857)
Non-recurring administrative expenses	—	—	(477)	(477)

Share-based payment expense	—	—	(866)	(866)
Other administrative expenses	—	—	(4,144)	(4,144)
Administrative expenses	—	—	(6,344)	(6,344)
Other operating income	45	142	—	187
Discount on acquisition	—	—	4,731	4,731
Surplus on revaluation of investment properties	1,674	—	—	1,674
Share of post-tax profit from joint venture	700	—	—	700
Surplus on revaluation of other investment	—	1,208	—	1,208
Release of other liabilities provision	—	1,922	—	1,922
Operating profit/(loss)	2,897	4,221	(1,613)	5,505
Net finance income	6	304	—	310
Profit/(loss) before tax	2,903	4,525	(1,613)	5,815

Consolidated balance sheet
As at 31 March 2015

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	70,223	18,266	—	88,489
Property, plant and equipment	—	—	186	186
Investments in joint ventures and associates	15,792	3,816	—	19,608
Other investment	—	6,602	—	6,602
Deferred tax assets	—	—	8,376	8,376
Non-current assets	86,015	28,684	8,562	123,261
Trading properties	88,631	55,687	—	144,318
Trade and other receivables	11,330	14,698	—	26,028
Cash and cash equivalents	—	—	107,624	107,624
Current assets	99,961	70,385	107,624	277,970
Borrowings	(11,221)	—	—	(11,221)
Trade and other payables	(11,213)	(26,024)	—	(37,237)
Corporation tax	(1,987)	—	—	(1,987)
Deferred tax liabilities	(3,778)	—	—	(3,778)
Total liabilities	(28,199)	(26,024)	—	(54,223)
Net assets	157,777	73,045	116,186	347,008

5. Finance income and finance costs

	Six months to 31 March 2016 £'000	Six months to 31 March 2015 £'000	Year ended 30 September 2015 £'000
Interest receivable from cash deposits	**58**	314	665
Interest receivable from development agreements	**648**	—	—
Interest receivable from joint ventures	**17**	—	—
Other interest receivable	**173**	—	—
Finance income	**896**	314	665
Interest payable on borrowings	**(382)**	(4)	(207)
Interest capitalised	**295**	—	187
Amortisation of capitalised loan costs	**(13)**	—	—
Finance costs	**(100)**	(4)	(20)
Net finance income	**796**	310	645

Interest is capitalised at the same rate as the Group is charged on respective borrowings.

6. Tax on profit on ordinary activities

	Six months to 31 March	Six months to 31 March	Year ended 30 September

	2016 £'000	2015 £'000	2015 £'000
Current tax:			
Adjustments in respect of previous periods	**64**	28	10
Total current tax charge	**64**	28	10
Deferred tax:			
Effect of changes in future tax rate	**234**	—	—
Origination and reversal of timing differences	**1,524**	96	4
Total deferred tax charge	**1,758**	96	4
Total tax charge	**1,822**	124	14

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £6,568,000 (six months to 31 March 2015: £5,691,000; year ended 30 September 2015: £7,025,000) and on 142,555,541 (six months to 31 March 2015: 140,884,739; year ended 30 September 2015: 141,705,236) shares, being the weighted average number of shares in issue during the period less own shares held.

Diluted earnings per share

The calculation of diluted earnings per share is based on a profit of £6,568,000 (six months to 31 March 2015: £5,691,000; year ended 30 September 2015: £7,025,000) and on 144,507,091 (six months to 31 March 2015: 141,492,743; year ended 30 September 2015: 143,060,593) shares, being the weighted average number of shares in issue and to be issued during the period less own shares held and the dilutive impact of share options granted.

Weighted average number of shares	**Six months to 31 March 2016 Number**	Six months to 31 March 2015 Number	Year ended 30 September 2015 Number
In issue at start of period	**144,006,555**	140,497,109	140,497,109
Effect of shares issued on acquisition of Catesby Property Group plc	**—**	636,328	2,076,823
Effect of own shares purchased	**(1,451,014)**	(248,698)	(868,696)
Weighted average number of shares during the period – basic	**142,555,541**	140,884,739	141,705,236
Effect of shares to be issued on acquisition of Catesby Property Group plc	**739,107**	134,014	437,389
Dilutive effect of share options	**1,212,443**	473,990	917,968
Weighted average number of shares during the period – diluted	**144,507,091**	141,492,743	143,060,593

8. Dividends

	Six months to 31 March 2016 £'000	Six months to 31 March 2015 £'000	Year ended 30 September 2015 £'000
Final dividend of 1.65p (31 March 2015 and 30 September 2015: 1.5p) per share proposed and paid during the period relating to the previous year's results	**2,352**	2,107	2,107
Interim dividend of £Nil (31 March 2015: £Nil; 30 September 2015: 1.0p) per share paid during the period	**—**	—	1,425
	2,352	2,107	3,532

An interim dividend of 1.1p per share was approved by the Board on 19 May 2016 and is payable on 22 July 2016 to shareholders on the register on 10 June 2016. The interim dividend is not recognised as a liability in the interim financial information.

9. Investment properties

	£'000
Valuation	
At 1 October 2014	66,291
Additions at cost	20,524
Surplus on revaluation	1,674
At 31 March 2015	88,489
Additions at cost	9,870
Surplus on revaluation	256
At 30 September 2015	98,615
Additions at cost	11,911
Transfer to property, plant and equipment	(2,989)
Surplus on revaluation	1,649
At 31 March 2016	**109,186**

The Group's principal investment property, Alconbury Weald, which represents 71 per cent of the period-end carrying value (at 31 March 2015: 79 per cent; at 30 September 2015: 74 per cent), is valued on a semi-annual basis by CBRE Limited, 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 31 March 2016, another investment property, which represents 10 per cent of the period-end carrying value, has also been valued by CBRE Limited, and a further property representing 19 per cent of the period-end carrying value has been valued by Jones Lang LaSalle Limited, an independent firm of chartered surveyors, both valuations being on the basis of fair value.

Fair value represents the estimated amount that should be received for selling an investment property in an orderly transaction between market participants at the valuation date.

The Group's investment properties are all 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 valuation technique used in measuring the fair value of the Group's principal investment property, as well as the significant unobservable inputs, is summarised below.

Valuation technique

Discounted cash flows: the valuation model considers the present value of net cash flows to be generated from a property (reflecting the current approach of constructing the infrastructure, discharging the section 106 costs obligations and then selling fully serviced parcels of land to housebuilders for development), taking into account expected house price/land value growth rates, build cost inflation, absorption rates and general economic conditions. The expected net cash flows are discounted using risk adjusted discount rates and the resultant value is benchmarked against transaction evidence.

Significant unobservable inputs

The key inputs to the valuation of the principal investment property included:

- expected annual house price inflation (3.7 per cent);
- expected annual cost price inflation (2.0 per cent);
- housebuilder development margin (22 per cent);
- private residential gross development value (£250–£260 per sq.ft.);
- infrastructure, section 106 and community infrastructure levy (£548,000 per net developable acre); and
- risk adjusted discount rate (8.0–10.0 per cent).

The inter-relationship between the unobservable inputs set out above and the fair value measurement is unchanged from that reported in the 2015 Annual Report and Accounts.

10. Property, plant and equipment

	Freehold property £'000	Leasehold property £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 October 2014	—	23	245	268
Acquired through business combination	—	30	37	67
At 31 March 2015	—	53	282	335
Additions	2,000	627	584	3,211
At 30 September 2015	2,000	680	866	3,546
Additions	—	10	155	165
Transfer from investment property	2,989	—	—	2,989
At 31 March 2016	**4,989**	**690**	**1,021**	**6,700**
Depreciation				
At 1 October 2014	—	3	141	144
Charge for the period	—	2	3	5
At 31 March 2015	—	5	144	149
Charge for the period	514	42	133	689
At 30 September 2015	514	47	277	838
Charge for the period	349	70	108	527
At 31 March 2016	**863**	**117**	**385**	**1,365**
Net book value				
31 March 2016	**4,126**	**573**	**636**	**5,335**
31 March 2015	—	48	138	186
30 September 2015	1,486	633	589	2,708

11. Investments

(i) Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 October 2014	16,518	500	17,018
Acquired through business combination	17	—	17
Additions	144	—	144
Loans advanced	1,867	—	1,867
Share of post-tax loss excluding investment property revaluation	(53)	—	(53)
Share of revaluation uplift on investment property	753	—	753
Loans repaid	(138)	—	(138)
At 31 March 2015	19,108	500	19,608
Additions	141	—	141
Loans advanced	19,752	—	19,752
Share of post-tax loss excluding investment property revaluation	(57)	—	(57)
Share of revaluation uplift on investment property	3,117	—	3,117
Loans repaid	(17)	—	(17)
Impairment of loans to joint ventures	(826)	—	(826)
At 30 September 2015	41,218	500	41,718
Loans advanced	3,295	—	3,295
Share of post-tax loss excluding investment property revaluation	(55)	—	(55)
Share of revaluation uplift on investment property	2,460	—	2,460
At 31 March 2016	**46,918**	**500**	**47,418**

At 31 March 2016 the Group's interests in its joint ventures were as follows:

SUE Developments LP	50%	Property investment
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development

At 31 March 2016 the Group's interests in its principal associates are as follows:

Terrace Hill Development Partnership	20%	Property development

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Terrace Hill Development Partnership £'000	Total £'000
The carrying value consists of:					
Group's share of net assets	18,082	—	141	—	18,223
Loans	25,120	2,490	1,085	500	29,195
Total investment in joint ventures and associates	**43,202**	**2,490**	**1,226**	**500**	**47,418**

SUE Developments LP's principal asset is an investment property carried at fair value and classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value are based on unobservable market data. The investment property is valued on a semi-annual basis by CBRE Limited, an independent firm of chartered surveyors using the same valuation technique as adopted for the valuation of the Group's principal investment property, Alconbury Weald (see note 9). The values for the significant unobservable inputs are listed below.

Significant unobservable inputs:

- expected annual house price inflation (3.25 per cent);
- expected annual cost price inflation (2.0 per cent);
- housebuilder development margin (22 per cent);
- private residential gross development value (£240 per sq.ft.);
- infrastructure and section 106 costs (£531,000 per net developable acre); and
- risk adjusted discount rate (8.5–10.25 per cent).

The inter-relationship between the unobservable inputs set out above and the fair value measurement is unchanged from that reported in the 2015 Annual Report and Accounts.

(ii) Other investment

	£'000
At 1 October 2014	5,394
Surplus on revaluation	1,208
At 31 March 2015	6,602
Disposals	(6,602)
At 30 September 2015	—
At 31 March 2016	**—**

12. Deferred tax

The net movement on the deferred tax account is as follows:

	Six months to 31 March 2016 £'000	Six months to 31 March 2015 £'000	Year ended 30 September 2015 £'000
At start of period	**4,690**	6,989	6,989
Arising on business combination	—	(2,295)	(2,295)
Movement in the period (see note 6)	**(1,758)**	(96)	(4)
At end of period	**2,932**	4,598	4,690

The deferred tax balances are made up as follows:

	At 31 March 2016 £'000	At 31 March 2015 £'000	At 30 September 2015 £'000
Deferred tax assets			

Tax losses	**7,441**	8,376	8,657
	7,441	8,376	8,657
Deferred tax liabilities			
Revaluation surpluses	**4,509**	3,778	3,967
	4,509	3,778	3,967

At 31 March 2016, the Group had unused tax losses of £41,043,000 (31 March 2015: £48,338,000; 30 September 2015: £44,146,000), with a deferred tax asset recognised in respect of £39,150,000 (31 March 2015: £41,787,000; 30 September 2015: £43,285,000). A deferred tax asset has not been recognised in respect of tax losses of £1,893,000 (31 March 2015: £6,551,000; 30 September 2015: £861,000) 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.

Under IAS 12 'Income taxes' deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair value at the balance sheet date. At 31 March 2016, the Group had unused capital losses of £13,161,000 (31 March 2015: £11,599,000; 30 September 2015: £11,907,000) which have been applied to reduce the Group's deferred tax liability in this regard. No deferred tax asset is recognised in respect of realised or unrealised capital losses if there is uncertainty over future recoverability.

13. Trading properties

	Six months to 31 March 2016 £'000	Six months to 31 March 2015 £'000	Year ended 30 September 2015 £'000
At start of period	**163,459**	78,115	78,115
Additions at cost	**35,683**	32,674	62,546
Acquired through business combination	—	34,077	34,077
Amounts written off value of trading properties	**(123)**	—	(4,402)
Disposals	**(5,679)**	(548)	(6,877)
At end of period	**193,340**	144,318	163,459

Capitalised interest of £789,000 is included within the carrying value of trading properties as at 31 March 2016 (31 March 2015: £307,000; 30 September 2015: £494,000).

14. Trade and other receivables

	At 31 March 2016 £'000	At 31 March 2015 £'000	At 30 September 2015 £'000
Trade receivables	**18,649**	11,408	28,105
Less: provision for impairment of trade receivables	—	—	(7)
Trade receivables (net)	**18,649**	11,408	28,098
Other receivables	**3,463**	3,427	1,592
Amounts recoverable under contracts	—	6,241	449
Prepayments and accrued income	**4,694**	4,952	3,129
	26,806	26,028	33,268

15. Trade and other payables

	At 31 March 2016 £'000	At 31 March 2015 £'000	At 30 September 2015 £'000
Trade payables	**6,360**	4,790	4,501
Taxes and social security costs	**528**	307	1,417
Other payables	**12,706**	6,345	9,622
Accruals	**9,027**	20,489	12,619

Deferred income	**2,369**	5,306	637
	30,990	37,237	28,796

16. Borrowings

Non-current	**At 31 March 2016 £'000**	At 31 March 2015 £'000	At 30 September 2015 £'000
Bank loans	**20,534**	—	—
Other loans	**11,593**	11,221	11,408
	32,127	11,221	11,408

Maturity profile	**At 31 March 2016 £'000**	At 31 March 2015 £'000	At 30 September 2015 £'000
Between one and five years	**32,127**	—	—
More than five years	**—**	11,221	11,408
	32,127	11,221	11,408

Other loans comprise borrowings from the Homes and Communities Agency. The loan of £11.2 million was drawn on 27 March 2015 and has a final repayment date of 31 March 2021. Interest is charged at 2.2 per cent above the EC reference rate and the facility is secured against specific land holdings. At 31 March 2016 £0.4 million (31 March 2015: £Nil; 30 September 2015: £0.2 million) of interest has been accrued.

17. Share capital

Urban&Civic plc	**At 31 March 2016 £'000**	At 31 March 2015 £'000	At 30 September 2015 £'000
Issued and fully paid			
144,006,555 shares of 20p each	**28,801**	28,801	28,801

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2014	28,099	140,497,109
Shares issued in consideration for Catesby Property Group plc	702	3,509,446
At 31 March 2015	28,801	144,006,555
At 30 September 2015	28,801	144,006,555
At 31 March 2016	**28,801**	**144,006,555**

Transactions in own shares

During the six-month period to 31 March 2016 the Company transferred 422,492 (31 March 2015 and 30 September 2015: Nil) 20p shares in Urban&Civic plc out of the Urban&Civic plc Employment Benefit Trust to employees to satisfy share options that had vested and been exercised. The Trust also purchased 235,752 (31 March 2015 and 30 September 2015: 1,442,709) 20p shares in Urban&Civic plc in the period at a cost of £573,000 (31 March 2015 and 30 September 2015: £3,697,000).

At the end of the period the Trust held 1,298,563 (31 March 2015 and 30 September 2015: 1,485,303) 20p shares in Urban&Civic plc at a cost of £3,404,000 (31 March 2015 and 30 September 2015: £3,951,000), which had a market value of £3,311,000 (31 March 2015: £3,840,000; 30 September 2015: £3,981,000).

Share options

During the six-month period to 31 March 2016 the Company granted no share options to employees (31 March 2015 and 30 September 2015: 635,096). 422,492 share options were exercised (31 March 2015 and 30 September 2015: Nil) and 136,106 options lapsed (31 March 2015: 149,018; 30 September 2015: 584,304) in the period. The number of share options outstanding at 31 March 2016 was 2,298,212 (31 March 2015: 3,292,096; 30 September 2015: 2,856,810).

18. Equity shares to be issued

At 31 March 2016, 30 September 2015 and 31 March 2015 the Company was committed to issuing 739,107 shares, at the earliest, one year from acquisition date of Catesby Property Group plc. The fair value of £1,948,000 has been calculated with reference to the Company's share price at the time of the Catesby acquisition. These shares were issued on 5 April 2016.

19. 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 outstanding share options.

The Directors have revisited the basis for calculating the dilutive effect of share options, which has resulted in a restatement of the comparative numbers. The impact on EPRA NAV per share at 30 September 2015 and 31 March 2015 was a decrease of 1.7p and 0.8p per share, respectively.

	At 31 March 2016 Unaudited	At 31 March 2015 Unaudited	At 30 September 2015 Unaudited
Number of shares in issue	**144,006,555**	144,006,555	144,006,555
Equity shares to be issued	**739,107**	739,107	739,107
Own shares held	**(1,298,563)**	(1,485,303)	(1,485,303)
Dilutive effect of share options	**797,989**	473,990	917,968
	144,245,088	143,734,349	144,178,327
NAV per share (restated)	**244.4p**	241.4p	241.2p
Net asset value (£'000)	**352,490**	347,008	347,828
Revaluation of trading property held as current assets (£'000)			
- Alconbury Weald	**22,129**	7,244	18,978
- Newark	**1,219**	—	2,355
- Herne Bay	**3,555**	7,500	7,500
- Bridge Quay	**6,026**	1,503	3,011
- Manchester sites	**13**	—	589
- Land promotion sites	**1,250**	3,700	4,700
- Stansted	**(1,437)**	—	—
- Other	**965**	325	950
	33,720	20,272	38,083
Deferred tax liability (£'000)	**4,548**	3,778	3,967
EPRA NAV (£'000)	**390,758**	371,058	389,878
EPRA NAV per share (restated)	**270.9p**	258.2p	270.4p
Deferred tax (£'000)	**(10,955)**	(7,832)	(11,583)
EPRA NNNAV (£'000)	**379,803**	363,226	378,295
EPRA NNAV per share (restated)	**263.3p**	252.7p	262.4p

20. Contingent liabilities, capital commitments and guarantees

Capital commitments relating to the Group's development sites are as follows:

	At 31 March 2016 £'000	At 31 March 2015 £'000	At 30 September 2015 £'000
Contracted but not provided for	**51,205**	39,285	18,958

21. Related party transactions

There have been no material changes in the related party transactions described in the 2015 Annual Report and Accounts.

Details of transactions with and amounts owed from joint ventures and associates are given in note 11.

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 2016 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related 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 financial report is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the half-yearly financial 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 2016 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
London
United Kingdom
26 May 2016

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

Glossary of terms

Company	Urban&Civic plc
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
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 triple net asset value (EPRA NNNAV)	EPRA net asset value including fair value adjustments in respect of all material balance sheet items which are not reported at their fair value as part of EPRA NAV
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)
Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
Gearing	Group bank borrowings as a proportion of net asset value
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
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board capable of measurement and are used to evaluate Group performance
LTV	Loan to value
Net asset value (NAV)	Value of the Group's balance sheet attributable to the owners of the Company
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
SDLT	Stamp Duty Land Tax
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
Yield	Annualised net rent as a proportion of property value