28 November 2017

Urban&Civic plc

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

Annual results for the year to 30 September 2017

Urban&Civic plc (LSE: UANC) announces its results for the 12 months to 30 September 2017.

	30 September 2017	30 September 2016
EPRA NAV (£m)	**439.3**	409.8
EPRA NAV per share (p)	**304.4**	284.2
Profit before tax (£m)	**7.9**	25.9
Dividend per share (p)	**3.2**	2.9
Contracted plots	**1,346**	1,109
Plot completions	**52**	1

Financial highlights
- EPRA net assets £439.3 million at September 2017, up from £409.8 million at September 2016
- EPRA net assets per share 7.1 per cent higher at 304.4p (284.2p at September 2016)
- Profit before tax down for 12 months to September 2017 at £7.9 million (September 2016: £25.9 million), due to lower property revaluations and commercial asset sales. Trading profits on significant commercial disposals completed post year-end to be reflected in 2018 interims
- 80 per cent of Group property assets in strategic projects (September 2016: 70 per cent)
- Current net gearing 14.4 per cent (September 2017: 22.0 per cent; September 2016: 9.4 per cent)
- Final dividend for the year of 2.0p per share, providing a full year dividend of 3.2p. 10.3 per cent increase recognises continuing progress

Project highlights and post year-end events
- Subsequent sales of commercial assets at Stansted and Feethams for an aggregate £70 million, generated £38 million cash proceeds after repaying project borrowings
- £15 million of cash reinvested in £40 million purchase of 5,000+ unit project at Priors Hall, Northamptonshire, supported by £45 million of additional facilities from Homes and Communities Agency
- Group portfolio now approaching 40,000 residential plots, either consented or being progressed
- Externally appraised value of consented plots all up at September 2017 (Alconbury: £26,600; Rugby £18,100: Newark; £6,500). Priors Hall acquisition equivalent estimated at £7,700 per uncontracted plot and Wintringham (currently unconsented) £14,000
- Net cash participations to Urban&Civic on completed housing sales continue to exceed 2x September 2017 book value
- September 2017 EPRA Net Assets after large site discount – appraised at £99 million against 150 unit parcels. Discount now starting to reverse as forecast (September 2017 equivalent to 69p per share; March 2017: 71p per share)
- Waterbeach and Wintringham applications (together 9,300 new homes in Cambridgeshire) programmed for determination in Q1/Q2 2018
- Good Catesby start to 2017/18 with Abingdon (200 units) now consented
- **Progression speaks for itself: Best current estimate is for 315 completions on Urban&Civic strategic sites in current year to September 2018 (including Priors Hall) and for 720 in the next. This compares with 52 in the year to September 2017 and 1 completion to September 2016**

Commenting on these results, Nigel Hugill, Chief Executive of Urban&Civic, said:

"Good results, followed by what is starting to feel like a seminal past two months. The recommendations of the National Infrastructure Commission Cambridge to Oxford “brain belt” study and the Budget housing priorities rest squarely upon delivery at a scale that can make a difference. Our Master Developer model is cutting the old assumptions for time between outline planning submission and first housing delivery in half. We are also on track to double historic rates of subsequent delivery. That combination is transformational for the politics just as much as the economics of large projects and gives local authorities the confidence to commit. The progression can be charted on Urban&Civic strategic sites; from the very first house sale in September 2016, to 52 housing completions last year and our best estimate of 315 in the current year and 720 in the next. Shareholders can anticipate additional strategic site investment in identified high growth areas"

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A presentation for analysts and investors will be held at 08.45am today at FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD.

If you would like to attend please contact Jenni Nkomo at FTI on +44 (0)20 3727 1000 or urbanandcivic@fticonsulting.com. A live webcast of the presentation will be available at www.urbanandcivic.com and presentation slides will also be available to download.

Alternatively, details for the live dial-in facility are as follows:
Participants: Tel: +44 (0)330 336 9105
Passcode: 3801596

Chief Executive's statement

Introduction

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

The core reason for establishing Urban&Civic was to provide new housing choices and accelerate supply through Master Development. In accordance with our strategy, that involves creating environments in which people actively want to live and a delivery structure that encourages speed and quality from those housebuilders looking to expand output. Our results demonstrate the extent to which the Master Developer model can be seen to be working financially as well as philosophically. The recent commercial asset realisations reflect the determination of the Board to position the balance sheet in the direction that the Company holds clear competitive advantage. A proportion of sales proceeds was redeployed almost immediately in the acquisition of Priors Hall in Northamptonshire at a cost of £40.5 million. Buying from administrators is never straightforward and our new project purchase demonstrates the ability of Urban&Civic to work through large site challenges that other developers often find too daunting. Following the off-market purchase earlier in the year of a 33 per cent equity interest in the near 3,000 unit Wintringham project at St Neots, Cambridgeshire, there can be no mistaking where your Company has set its stall. The 400 acre site had been in the ownership of trusts associated with Nuffield College, Oxford, since the 1940s and was bequeathed by the late Lord Nuffield. Urban&Civic has taken charge of project delivery with a collective determination that the partnership can provide an appropriate financial and environmental legacy. The related opportunity lies in the prospect of taking our Master Developer model and harnessing the Nuffield experience of creating healthier lifestyles to show just what well-structured new large-scale projects can contribute when improved wellbeing is prioritised from the outset.

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

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

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

Master Developer and security of income

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

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

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

Operating highlights

The principal operating highlights during the year were the start on site at Alconbury of Morris Homes and Redrow, with continuing strong sales from Hopkins Homes (53 completions and a further15 reservations or exchanges from start on site in April 2016), and the Davidson's show house now being open at Rugby (15 reservations), with construction having also commenced by Crest Nicholson and Morris Homes. Avant Homes are building at Newark and Bellway will follow shortly. Two new parcels are under negotiation at Alconbury and preliminary agreements with at least two more housebuilders will be reached at Wintringham early in the new year. There are seven housebuilders of varying sizes on site for the first phase of Priors Hall.

Post-balance-sheet sales

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

Acquisition of Priors Hall, Northamptonshire

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

Housing by numbers

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

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

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

Carrying that exposition further, a local authority in Southern England normally has around 170,000 residents. Simple mathematics are that 15 per cent growth in ten years adds 25,000 people. On standard occupation assumptions, that requires 10,000 new dwellings over the same period. Our conclusion is that the most practical way of meeting that requirement is to bring forward more big sites and to have them deliver faster. Now that we are five years forward sold to a spread of housebuilders on the initial parcels on our consented sites and carry strong backing from the Homes and Communities Agency, we can direct the balance sheet without betting the business.

Housebuilding

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

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

Help to Buy

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

Catesby

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

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

Immediate priorities

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

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

We acquired our interest in the near 3,000 unit scheme at Wintringham in St Neots, Cambridgeshire, in April and submitted a hybrid planning application in October. My expectation is for a resolution to grant in the first quarter of 2018. Such is our growing reputation that housebuilder customers are prepared now to invest time and resources in working up designs ahead of consent. As a result we have a decent shot at getting foundations in the ground for contracted partners before the end of next year. In stark contrast, recent reports describe the period from submission of outline planning consent through to the delivery of first dwelling is typically approaching seven years for sites above 2,000 units. Urban&Civic as Master Developer is shaking those prevailing assumptions to their very core. Wintringham ought to be our fastest yet: we are on track to come in around 24 months from formal planning application submission to first housing delivery. The comparison is not so direct at Priors Hall in Northamptonshire, where we acquired an existing over leveraged project in administration. Urban&Civic has owned the project for just over a month but I am pleased to be able to inform shareholders that the signs are already good.

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

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

Should we achieve planning consent at Wintringham and Waterbeach in the current financial year, with at least one/two new strategic scale projects to come alongside, that would meet the previous target that we set ourselves of having 40,000 residential dwellings with Urban&Civic as Master Developer. Moreover, in that eventuality, three-quarters of all units would be consented. In addition, Catesby is promoting 10,000 new units on its own account and on behalf of third parties, which would lift the total to 50,000 prospective new dwellings overall. We are not about to get ahead of ourselves and will reset our targets only when the existing objectives are met. Internal governance has been strengthened with the formalisation of the Executive Management Committee, reporting directly to your Board, which establishes a broad and efficient corporate structure for risk management, delivery and future growth.

Outlook

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

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

Measures of affordability that capture the impact of lower borrowing costs have improved considerably since the recession. Across all regions, it has been estimated that initial mortgage payments for first-time buyers are currently equivalent to about a third of average post-tax earnings. This compares with a peak of over 50 per cent in 2007/08. Reflecting this, the number of first-time buyers has increased from a recession low of around 150,000 to around 350,000. The abolition of stamp duty for that group of purchasers on properties of up to £300,000 can only assist sales on our sites at present. With high employment and borrowing costs remaining at historic lows, overall levels of housing market activity are, in my view, likely to trend upwards. The reasonable expectation is for house prices rising broadly in line with average earnings over the medium term and housing transactions rising further.

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

Dividend

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

Continuing thanks

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

Nigel Hugill
Chief Executive
27 November 2017

Financial review

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

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

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

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

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

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

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

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

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

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

EPRA NAV at end of period	**439.3**	**304.4**	409.8	284.2

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

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

The Directors valued 24 per cent of the property portfolio with the remaining 76 per cent (30 September 2016: 84 per cent) valued by CBRE. A more detailed reconciliation between IFRS and EPRA NAV is provided in note 18 to this preliminary financial information.

Consolidated statement of comprehensive income

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

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

1. Including residential property sales as disclosed in note 2 to this preliminary financial information.

Revenue

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

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

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

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

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

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

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

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

Other revenues were broadly in line with the prior year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

£m	Investment properties	Trading properties	Properties within PPE	Trade and other receivables	Total
Valuation at 1 October 2016	94.0	103.8	3.4	—	201.2

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

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

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

Taxation expense

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

Dividend

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

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

Consolidated balance sheet

Overview

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

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

Non-current assets

Investment properties and investment properties held for sale

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

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

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

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

Investment in equity accounted joint ventures and associates
The Group's 50 per cent interest in the Rugby site has been included in the balance sheet at £59.8 million.

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

Other interests in joint ventures and associates total £17.0 million, up £13.7 million from last year, predominantly as a result of acquiring a one-third partnership stake in a 400-acre (162.3-hectare) site at Wintringham Park, St Neots, Cambridgeshire, for £13.3 million. An application has now been submitted for up to 2,800 residential units, 63,500 sq.m. of employment space, a district centre with ancillary uses and two primary schools. Further details are provided in note 11 to this preliminary financial information.

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

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

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

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

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

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

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

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

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

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

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

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

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

Post-balance-sheet events
Although I have already detailed the effect of post-balance-sheet events on the year-end valuations and gearing above, I would direct you to note 22 to this preliminary financial information for further details on the October acquisition of Priors Hall and the Stansted Hotel disposal, as well as the November disposal of Feethams, Darlington.

David Wood
Group Finance Director
27 November 2017

Consolidated statement of comprehensive income

for the year-ended 30 September 2017

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

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

The accompanying notes form part of this preliminary financial information.

Consolidated balance sheet

as at 30 September 2017

	Notes	**30 September 2017 £'000**	30 September 2016 £'000
Non-current assets			
Investment properties	9	**79,111**	128,858
Property, plant and equipment	10	**5,100**	5,644
Investments in joint ventures and associates	11	**76,757**	51,047
Deferred tax assets	12	**4,240**	5,159
Trade and other receivables	14	**16,922**	—
		182,130	190,708
Current assets			
Trading properties	13	**289,707**	185,204
Trade and other receivables	14	**15,360**	60,474
Cash and cash equivalents		**12,190**	15,083
		317,257	260,761
Investment property held for sale	9, 22	**20,735**	—
		337,992	260,761
Total assets		**520,122**	451,469
Non-current liabilities			
Borrowings	16	**(69,824)**	(33,456)
Deferred tax liabilities	12	**(5,652)**	(5,473)
		(75,476)	(38,929)
Current liabilities			
Borrowings	16	**(24,026)**	(16,100)
Trade and other payables	15	**(48,740)**	(30,128)
		(72,766)	(46,228)
Total liabilities		**(148,242)**	(85,157)
Net assets		**371,880**	366,312
Equity			
Share capital	17	**28,993**	28,961

Share premium account		**168,648**	168,320
Capital redemption reserve		**849**	849
Own shares		**(4,003)**	(3,817)
Other reserve		**113,785**	113,785
Retained earnings		**63,608**	58,214
Total equity		**371,880**	366,312
NAV per share	18	**257.6p**	254.0p
EPRA NAV per share	18	**304.4p**	284.2p

The accompanying notes form part of this preliminary information.

Consolidated statement of changes in equity

for the year-ended 30 September 2017

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

Consolidated cash flow statement

for the year-ended 30 September 2017

	Year-ended 30 September 2017 £'000	Year-ended 30 September 2016 £'000
Cash flows from operating activities		
Profit before taxation	**7,924**	25,859
Adjustments for:		
Surplus on revaluation of investment properties	**(4,949)**	(13,983)
Share of post-tax profit from joint ventures	**(1,271)**	(6,551)
Finance income	**(245)**	(1,158)
Finance costs	**1,221**	1,180
Depreciation charge	**814**	813
Write (back)/impairment of loans to joint ventures and associates	**(1,500)**	417
Write (back)/down of trading properties	**(1,402)**	7,108
Loss on sale of investment properties	**143**	—
Loss on sale of property, plant and equipment	**15**	—
Share-based payment expense	**3,119**	2,368
Cash flows from operating activities before change in working capital	**3,869**	16,053

Increase in trading properties	**(54,714)**	(27,103)
Decrease/(increase) in trade and other receivables	**26,895**	(25,609)
Increase in trade and other payables	**1,705**	1,716
Cash absorbed by operations	**(22,245)**	(34,943)
Finance costs paid	**(1,608)**	(505)
Finance income received	**238**	765
Tax paid	**—**	(127)
Net cash flows from operating activities	**(23,615)**	(34,810)
Investing activities		
Deferred consideration on acquisition of subsidiaries	**—**	(3,281)
Additions to investment properties	**(14,792)**	(15,803)
Additions to property, plant and equipment	**(285)**	(3,749)
Acquisition of loans in joint ventures	**(3,300)**	—
Loans advanced to joint ventures	**(12,516)**	(4,090)
Loans repaid by joint ventures and associates	**2,432**	895
Proceeds from disposal of investment properties	**8,811**	—
Net cash flows from investing activities	**(19,650)**	(26,028)
Financing activities		
New loans	**62,114**	37,541
Issue costs of new loans	**(402)**	(1,109)
Repayment of loans	**(16,915)**	(360)
Grant income received	**—**	1,000
Consideration received for transfer of own shares	**—**	88
Purchase of own shares	**(249)**	(1,029)
Dividends paid	**(4,176)**	(3,784)
Net cash flows from financing activities	**40,372**	32,347
Net decrease in cash and cash equivalents	**(2,893)**	(28,491)
Cash and cash equivalents at 1 October	**15,083**	43,574
Cash and cash equivalents at 30 September	**12,190**	15,083

Notes to the consolidated preliminary financial information

for the year-ended 30 September 2017

1. Accounting policies

Basis of preparation

The financial information contained in this announcement has been prepared on the basis of the accounting policies set out in the statutory accounts for the year-ended 30 September 2017. Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, this announcement does not itself contain sufficient information to comply with IFRS. The financial information does not constitute the Company's statutory accounts for the periods ended 30 September 2017 or 2016, but is derived from those accounts. Those accounts give a true and fair view of the assets, liabilities, financial position and profit and loss of the Company and the undertakings included in the consolidation taken as a whole. Statutory accounts for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's Annual General Meeting. The auditor's reports on both the 2017 and 2016 accounts were unqualified; did not draw attention to any matters by way of emphasis; and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The principal accounting policies adopted in the preparation of this preliminary financial information are set out below. The policies have been consistently applied to both years, unless otherwise stated.

Functional and presentation currency

All financial information is presented in British Pounds Sterling (£), the functional currency of all Group entities, and has been rounded to the nearest thousand (£'000) unless indicated to the contrary.

Going concern

The consolidated financial information have been prepared on a going concern basis, which assumes that the Group will continue to meet its liabilities as they fall due. At 30 September 2017 the Group has prepared cash flow projections that show that it is expected to have adequate resources to continue in operational existence for the foreseeable future.

Adoption of new and revised standards

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

New standards and interpretations not yet applied

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

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

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

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

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

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

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

IFRS 16 'Leases' will be effective for the Group from the period beginning 1 October 2019, and will result in the Group recognising a financial asset and liability on the balance sheet initially at the present value of all future lease payments it is obliged to make for any material leases for which it is the lessee. These are disclosed in note 20 to this preliminary financial information. For the year-ended 30 September 2017, it has been estimated that this would lead to the recognition on the balance sheet of assets and liabilities of approximately £2.1 million. There is no net impact on profit and loss over the lease term, but under IFRS 16 part of the payment currently recognised within administrative expenses (estimated at £0.1 million) would be recognised as a finance cost. The treatment of leases where the Group is acting as a lessor is substantially unchanged from that currently applied under IAS 17.

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

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

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

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

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

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

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

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

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

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

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

Investment properties are recognised as an asset when:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furniture and equipment – 20–33 per cent straight line

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

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

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

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

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

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

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

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

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

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

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

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

Deferred tax balances are not discounted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Valuation of investment and trading properties
For the purposes of calculating the fair value of its investment property portfolio and the net realisable value (and, for EPRA reporting purposes, the fair value) of its trading property portfolio, the Group uses valuations carried out by either independent valuers or the Directors on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuations are based upon assumptions including future rental income, sales prices, an estimate of typical profit margins, anticipated maintenance costs, future development costs and appropriate discount rates. Assumptions used in the valuations of the Group's significant property interests carried at valuation at 30 September 2017 are disclosed in note 9 to this

preliminary financial information. The valuers and Directors also make reference to market evidence for comparable property transactions and principal inputs and assumptions.

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

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

Capitalisation of administrative expenses
Administrative expenses are capitalised to investment and trading properties that are in the course of development. The amounts capitalised are estimated with reference to the time and resources spent on the projects in the year. These amounts are disclosed in notes 9 and 13 to this preliminary financial information for investments and trading properties respectively.

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

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

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

Share-based payments
The value of share-based payments is estimated using an option pricing model as at the date of grant and using certain assumptions.

2. Revenue and gross profit

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

3. Operating profit

Is arrived at after charging/(crediting):	**Year-ended 30 September 2017 £'000**	Year-ended 30 September 2016 £'000
Depreciation of property, plant and equipment – included in administrative expenses	**545**	456
Depreciation of property, plant and equipment – included in direct costs	**269**	357
Loss on disposal of property, plant and equipment	**15**	—

Impairment of trade receivables	**61**	31
Operating lease charges – rent of properties	**779**	779
Share-based payment expense	**3,119**	2,368
Capitalisation of administrative expenses to investment properties	**(725)**	(1,478)
Capitalisation of administrative expenses to trading properties held at year-end	**(4,494)**	(4,374)
Capitalisation of administrative expenses to trading properties sold in the year	**—**	(1,265)
Fees paid to BDO LLP[1] in respect of:		
– audit of the Company	**151**	164
Other services:		
– audit of subsidiaries and associates	**101**	112
– audit of transition to FRS 102 (non-recurring)	**—**	15
– audit related assurance services	**36**	50
– other fees payable[2]	**—**	13

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

4. Segmental information

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

The two principal segments are strategic land and commercial property development. The strategic land segment includes serviced and unserviced land, consented and unconsented land and mixed-use development and promotion sites. The commercial segment includes city centre development and commercial regional developments. All of the Group's revenue is generated in the UK.

Segmental information is reported in the table that follows in respect of the current year in accordance with the requirements of IFRS 8 'Operating Segments'.

The segmental results that are monitored by the Board include all the separate lines making up the segmental IFRS operating profit. This excludes central overheads and taxation which are not allocated to operating segments.

Consolidated statement of comprehensive income

for the year-ended 30 September 2017

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

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

Consolidated balance sheet

as at 30 September 2017

	Strategic land £'000	Commercial £'000	Unallocated £'000	Total £'000
Investment properties	63,357	15,754	—	79,111
Property, plant and equipment	3,367	773	960	5,100
Investments in joint ventures and associates	74,154	2,603	—	76,757
Deferred tax assets	—	—	4,240	4,240
Trade and other receivables	16,922	—	—	16,922
Non-current assets	**157,800**	**19,130**	**5,200**	**182,130**
Investment property held for sale	—	20,735	—	20,735

Trading properties	202,262	87,445	—	289,707
Trade and other receivables	8,359	7,001	—	15,360
Cash and cash equivalents	—	—	12,190	12,190
Current assets	**210,621**	**115,181**	**12,190**	**337,992**
Borrowings	(33,812)	(36,816)	(23,222)	(93,850)
Trade and other payables	(23,687)	(25,053)	—	(48,740)
Deferred tax liabilities	(5,585)	—	(67)	(5,652)
Total liabilities	**(63,084)**	**(61,869)**	**(23,289)**	**(148,242)**
Net assets	**305,337**	**72,442**	**(5,899)**	**371,880**

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

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

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

Consolidated balance sheet
as at 30 September 2016

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

5. Finance income and finance costs

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

Finance costs capitalised to trading properties	**899**	508
Finance costs	**(1,221)**	(1,180)
Net finance costs	**(976)**	(22)

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

6. Tax on profit on ordinary activities

(a) Analysis of charge in the year

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

(b) Factors affecting the tax charge for the year

The effective rate of tax for the year varies from the standard rate of tax in the UK. The differences can be explained below.

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

(c) Associates and joint ventures

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

7. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on a profit of £6,811,000 (2016: £20,841,000) and on 143,300,624 (2016: 142,981,602) shares, being the weighted average number of shares in issue during the year less own shares held.

Diluted earnings per share

The calculation of diluted earnings per share is based on a profit of £6,811,000 (2016: £20,841,000) and on 144,244,702 (2016: 144,230,321) shares, being the weighted average number of shares in issue and to be issued less own shares held and the dilutive impact of share options granted.

Weighted average number of shares	**2017 Number**	2016 Number
In issue at 1 October	**144,804,728**	144,006,555
Effect of shares issued on acquisition of Catesby Property Group plc	**—**	359,456
Effect of shares issued under scrip dividend scheme	**75,933**	11,297
Effect of own shares purchased and transferred	**(1,580,037)**	(1,395,706)
Weighted average number of shares at 30 September – basic	**143,300,624**	142,981,602
Effect of shares issued on acquisition of Catesby Property Group plc	**—**	379,651
Dilutive effect of share options	**944,078**	869,068
Weighted average number of shares at 30 September – diluted	**144,244,702**	144,230,321

8. Dividends

	Year-ended 30 September 2017	Year-ended 30 September 2016

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

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

9. Investment properties
(i) Carrying amount reconciliation

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

	30 September 2017 £'000	30 September 2016 £'000
Classification		
Investment properties held for continuing use	**79,111**	128,858
Lease incentives granted to tenants included within prepayments and accrued income	**—**	509
	79,111	129,367
Investment properties held for sale (see note 22)	**20,735**	—
Lease incentives granted to tenants included within prepayments and accrued income	**860**	—
	21,595	**—**
Portfolio valuation at 30 September	**100,706**	129,367

(ii) Operating lease arrangements
Refer to note 20 to this preliminary financial information for details of the operating leases related to investment properties.

(iii) Items of income and expense
During the year-ended 30 September 2017, £5,106,000 (2016: £4,430,000) was recognised in the consolidated statement of comprehensive income in relation to rental and ancillary income from investment properties. Direct operating expenses, including repairs and maintenance, arising from investment properties that generated rental income amounted to £3,011,000 (2016: £2,140,000). The Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2016: £Nil).

(iv) Restrictions and obligations
At 30 September 2017 and 2016 there were no restrictions on the realisability of investment properties or the remittance of income and proceeds of disposal.

There are no obligations, except those already contracted, to construct or develop the Group's investment properties.

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

(vi) Transfer of properties

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

On 30 September 2017, based on the site intention set out in the submitted development plan, the Group agreed that the strategy for part of its interest in Waterbeach, previously held wholly within trading stock, was to hold for long-term capital gain and rental income. Accordingly, 32 per cent of the asset value was transferred to investment properties.

(vii) Fair value measurement
The Group's principal investment property, Alconbury Weald, which represents 60 per cent of the year-end carrying value (2016: 73 per cent), is valued on a semi-annual basis by CBRE Limited (CBRE), an independent firm of chartered surveyors, on the basis of fair value. The valuation at each period end is carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. At 30 September 2017, another investment property, which represents 16 per cent of the year-end carrying value, has also been valued by CBRE Limited, and further properties, representing 24 per cent of the year-end carrying value, have been valued by Directors, either with reference to post-balance-sheet sales price achieved or cost incurred to date.

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

As noted above, the Group's investment properties are all carried at fair value and are classified as level 3 within the fair value hierarchy as some of the inputs used in determining the fair value are based on unobservable market data. The following summarises the valuation technique used in measuring the fair value of Alconbury Weald, the Group's principal investment property, as well as the significant unobservable inputs and their inter-relationship with the fair value measurement.

Valuation technique
Discounted cash flows: the valuation model for the Group's strategic land considers the present value of net cash flows to be generated from a property (reflecting the current approach of constructing the infrastructure and discharging the section 106 cost obligations), taking into account expected land value growth rates, build cost inflation, absorption rates and general economic conditions. The expected net cash flows are discounted using risk-adjusted discount rates and the resultant value is benchmarked against transaction evidence.

Significant unobservable inputs
The key inputs to the investment property valuation, which following the transfer referred to above relate to commercial land at Alconbury Weald, included:

	30 September 2017	30 September 2016
Expected land price inflation (per cent)	**3.0**	3.0
Expected annual cost price inflation (per cent)	**2.0**	2.0
Commercial land value (£'000 per acre)	**345**	300
Risk adjusted discount rate (per cent)	**7.5**	8.0

Inter-relationship between significant unobservable inputs and fair value measurement
The estimated fair value would increase/(decrease) if:

- expected annual land price inflation was higher/(lower);
- expected annual cost price inflation was lower/(higher);
- commercial land value was higher/(lower); and
- risk-adjusted discount rate was lower/(higher).

The Group's other material investment properties at Bradford and Feethams were valued by CBRE and the Directors respectively. Bradford was valued using a yield based methodology with initial yields between 6.0 and 10.0 per cent whilst Feethams was valued with reference to the price achieved when the property was sold in November 2017. An increase in the initial yield assumptions would result in a decrease in the fair value of the Bradford property.

10. Property, plant and equipment

	Freehold property £'000	Leasehold improvements £'000	Furniture and equipment £'000	Total £'000
Cost				
At 1 October 2015	2,000	680	866	3,546
Additions	—	20	304	324
Transfer from investment properties	3,425	—	—	3,425
At 1 October 2016	5,425	700	1,170	7,295
Additions	—	30	255	285
Disposals	—	—	(53)	(53)
At 30 September 2017	**5,425**	**730**	**1,372**	**7,527**

Depreciation				
At 1 October 2015	514	47	277	838
Charge for the year	408	161	244	813
At 1 October 2016	922	208	521	1,651
Charge for the year	391	122	301	814
Released on disposal	—	—	(38)	(38)
At 30 September 2017	**1,313**	**330**	**784**	**2,427**
Net book value				
At 30 September 2017	**4,112**	**400**	**588**	**5,100**
At 30 September 2016	4,503	492	649	5,644

No assets were held under finance leases in either the current or prior years.

11. Investments

Investments in joint ventures and associates

	Joint ventures £'000	Associates £'000	Total £'000
Cost or valuation			
At 1 October 2015	41,218	500	41,718
Share of post-tax loss excluding investment property revaluation	(179)	—	(179)
Share of revaluation uplift on investment property	6,730	—	6,730
Share of post-tax profit from joint ventures	6,551	—	6,551
Loans advanced	4,090	—	4,090
Loans repaid	(895)	—	(895)
Impairment of loans to joint ventures	(417)	—	(417)
At 1 October 2016	50,547	500	51,047
Share of post-tax profit from joint ventures	1,271	—	1,271
Additions	14,303	—	14,303
Loans advanced	11,068	—	11,068
Loans repaid	(434)	(1,998)	(2,432)
Write back of loans to associates	—	1,500	1,500
At 30 September 2017	**76,755**	**2**	**76,757**

At 30 September 2017 the Group's interests in its joint ventures were as follows:

SUE Developments LP	50%	Property development
Achadonn Limited	50%	Property development
Altira Park JV LLP	50%	Property development
Wintringham Partners LLP	33%	Property development

Summarised information on joint ventures 2017

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Wintringham Partners LLP £'000	Total 2017 £'000
Revenue	21,965	—	660	—	22,625
Profit/(loss) after tax	2,130	(2)	(10)	—	2,118
Total assets	149,702	6,554	1,146	49,898	207,300
Other liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Total liabilities	(103,116)	(6,600)	(90)	(49,898)	(159,704)
Net assets/(liabilities)	**46,586**	**(46)**	**1,056**	**—**	**47,596**
The carrying value consists of:					
Group's share of net assets	23,293	—	528	—	23,821
Loans	36,558	2,073	—	14,303	52,934
Total investment in joint ventures	**59,851**	**2,073**	**528**	**14,303**	**76,755**

Sue Developments LP holds the RadioStation Rugby site.

Summarised information on joint ventures 2016

	SUE Developments LP £'000	Achadonn Limited £'000	Altira Park JV LLP £'000	Total 2016 £'000
Revenue	92	—	1,720	1,812
Profit/(loss) after tax	13,102	(4)	345	13,443

Total assets	106,105	6,553	2,454	115,112
Other liabilities	(61,649)	(6,597)	(1,388)	(69,634)
Total liabilities	(61,649)	(6,597)	(1,388)	(69,634)
Net assets/(liabilities)	44,456	(44)	1,066	45,478
The carrying value consists of:				
Group's share of net assets	22,227	—	533	22,760
Loans	25,607	2,073	107	27,787
Total investment in joint ventures	47,834	2,073	640	50,547

SUE Developments LP's principal asset is a development property that, until 30 September 2016, was classified as an investment property.

At 30 September 2017 the Group's interests in its principal associate is as follows:

Terrace Hill Development Partnership	20%	Property development

Summarised information on associate

	2017 Terrace Hill Development Partnership £'000	2016 Terrace Hill Development Partnership £'000
Revenue	**3,099**	541
Profit after tax	**399**	576
Total assets	**695**	7,422
Total liabilities	**(216)**	(7,532)
Net assets/(liabilities)	**479**	(110)
Non-recourse net assets/(liabilities)	**479**	(110)
Adjust for:		
Group's share of net assets/(liabilities)	**—**	—
The carrying value consists of:		
Group's share of net assets/(liabilities)	**—**	—
Loans	**2**	500
Total investment in associates	**2**	500
Share of unrecognised profit		
At 1 October	**483**	368
Share of unrecognised profit for the period	**80**	115
Adjustments in respect of previous periods	**(483)**	—
At 30 September	**80**	483

The Group has no legal or constructive obligations to fund any losses of this associate.

Terrace Hill Development Partnership has not been equity accounted for as the entity has preferential investors that will receive their return before the Group. Terrace Hill Development Partnership is classified as an associate due to the significant influence being exercised by the Group over its operating activities. The investment in Terrace Hill Development Partnership is carried at cost and subject to regular impairment reviews.

12. Deferred tax

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

	Year-ended 30 September 2017 £'000	Year-ended 30 September 2016 £'000
At 1 October	**(314)**	4,690
Movement in the year (see note 6)	**(1,098)**	(5,004)
At 30 September	**(1,412)**	(314)

The deferred tax balances are made up as follows:

	At 30 September 2017 £'000	At 30 September 2016 £'000
Deferred tax assets		

Tax losses	**4,240**	5,159
	4,240	5,159
Deferred tax liabilities		
Revaluation surpluses	**5,652**	5,473
	5,652	5,473

At 30 September 2017, the Group had unused tax losses of £32,132,000 (2016: £47,764,000), of which £23,120,000 (2016: £28,309,000) have been recognised as a deferred tax asset. A further £5,373,000 (2016: £18,586,000) have been applied to reduce the Group's deferred tax liability recognised at the balance sheet date as required by IAS 12 'Income Taxes' in respect of tax potentially payable on the realisation of investment properties at fair value at the balance sheet date. No deferred tax asset is recognised in respect of realised or unrealised capital losses if there is uncertainty over future recoverability.

Tax losses of £3,639,000 (2016: £869,000) have not been recognised as it is not considered sufficiently certain that there will be appropriate taxable profits available in the foreseeable future against which these losses can be utilised.

The Group's deferred tax balances have been measured at rates between 17 and 19 per cent (2016: between 17 and 19 per cent), being the enacted rates of corporation tax in the UK at the balance sheet date against which the temporary differences giving rise to the deferred tax are expected to reverse. The UK corporation tax rate reduced to 19 per cent from 1 April 2017 and will reduce to 17 per cent from 1 April 2020, which will reduce the amount of UK corporation tax that the Group will have to pay in the future.

13. Trading properties

	Year-ended 30 September 2017 £'000	Year-ended 30 September 2016 £'000
At 1 October	**185,204**	163,459
Additions at cost	**93,086**	78,506
Costs written back/(off)	**1,402**	(7,108)
Disposals	**(30,284)**	(49,653)
Transfer to investment properties	**(2,988)**	—
Transfer from investment properties	**43,287**	—
Carrying value at 30 September	**289,707**	185,204

During the year staff and administrative costs of £4,494,000 (2016: £5,639,000) have been capitalised and are included within additions.

Capitalised interest of £1,768,000 is included within the carrying value of trading properties as at 30 September 2017 (2016: £869,000), of which £899,000 (2016: £508,000) was capitalised during the year. Included within disposals is £Nil (2016: £133,000) of interest capitalised.

The costs written back in the year are as a result of an increase in the value of the properties in question.

14. Trade and other receivables

Non-current	**At 30 September 2017 £'000**	At 30 September 2016 £'000
Trade receivables	**16,922**	—
	16,922	—

Current	**At 30 September 2017 £'000**	At 30 September 2016 £'000
Trade receivables	**6,698**	49,188
Less: provision for impairment of trade receivables	**(61)**	(31)
Trade receivables (net)	**6,637**	49,157
Other receivables	**3,040**	5,324
Amounts recoverable under contracts	**—**	63
Prepayments and accrued income	**5,683**	5,930
	15,360	60,474

Non-current trade receivables comprise minimum amounts due from housebuilders on strategic land parcel sales. Trade receivables in 2016 included £38,200,000 in relation to a trading property sale which was received in full during the current year.

The ageing of trade receivables was as follows:	**At 30 September 2017 £'000**	At 30 September 2016 £'000

Up to 30 days	**1,003**	39,117
31 to 60 days	**134**	1,808
61 to 90 days	**2**	69
Over 90 days	**173**	443
Total	**1,312**	41,437
Amounts not yet invoiced	**22,247**	7,720
Trade receivables (net)	**23,559**	49,157

There were no amounts past due but not impaired at 30 September 2017 or 2016.

15. Trade and other payables

	At 30 September 2017 £'000	At 30 September 2016 £'000
Trade payables	**11,348**	12,607
Taxes and social security costs	**284**	221
Other payables	**12,127**	3,455
Accruals	**23,617**	12,416
Deferred income	**1,364**	1,429
	48,740	30,128

16. Borrowings

	At 30 September 2017 £'000	At 30 September 2016 £'000
Bank loans	**61,038**	36,774
Other loans	**32,812**	12,782
	93,850	49,556

Maturity profile	**At 30 September 2017 £'000**	At 30 September 2016 £'000
Less than one year	**24,026**	16,100
Between one and five years	**49,150**	33,456
More than five years	**20,674**	—
	93,850	49,556

Other loans comprise borrowings from the HCA and a conditional grant. Interest on borrowing from the HCA is charged between 2.2 and 2.5 per cent above the EC Reference Rate and the facilities are secured against specific land holdings. The £1,000,000 grant is conditional on certain milestones of construction being achieved before 2020. The grant is only repayable if these are not reached.

Bank loans, other than the revolving credit facility, are secured against specific property holdings.

As described in note 22 to this preliminary financial information, after the balance sheet date two of the bank loan facilities amounting to £31,200,000 were repaid following the sale of the assets on which those facilities were secured.

17. Share capital

Urban&Civic plc	**At 30 September 2017 £'000**	At 30 September 2016 £'000
Issued and fully paid		
144,964,808 (2016: 144,804,728) shares of 20p each (2016: 20p each)	**28,993**	28,961

Movements in share capital in issue

Ordinary shares	Issued and fully paid £'000	Number
At 1 October 2015	28,801	144,006,555
Shares issued in consideration for Catesby Property Group plc	148	739,107
Shares issued under scrip dividend scheme	12	59,066
At 1 October 2016	28,961	144,804,728
Shares issued under scrip dividend scheme	32	160,080
At 30 September 2017	**28,993**	**144,964,808**

The Company issued 739,107 shares in 2016 as part of a deferred consideration arrangement on the acquisition of Catesby Property Group plc in 2015.

18. Net asset value and EPRA net asset value per share
Net asset value and EPRA net asset value per share is calculated as the net assets or EPRA net assets of the Group attributable to shareholders at each balance sheet date, divided by the number of shares in issue and to be issued at that date, adjusted for own shares held and the dilutive effect of outstanding share issues.

	At 30 September 2017	At 30 September 2016
Number of ordinary shares in issue	**144,964,808**	144,804,728
Own shares held	**(1,569,437)**	(1,483,503)
Dilutive effect of share options	**944,078**	869,068
	144,339,449	144,190,293
NAV per share	**257.6p**	254.0p
Net asset value (£'000)	**371,880**	366,312
Revaluation of trading property held as current assets (£'000)		
– Alconbury Weald	**37,304**	31,714
– Rugby	**6,784**	—
– Land promotion sites	**6,234**	7,176
– Newark	**(2,055)**	(171)
– Manchester sites	**2,431**	439
– Stansted	**8,660**	(1,910)
– Other	**2,453**	794
	61,811	38,042
Deferred tax liability (£'000)	**5,652**	5,473
EPRA NAV (£'000)	**439,343**	409,827
EPRA NAV per share	**304.4p**	284.2p
Deferred tax (£'000)	**(17,396)**	(12,701)
EPRA NNNAV (£'000)	**421,947**	397,126
EPRA NNNAV per share	**292.3p**	275.4p

19. Contingent liabilities, capital commitments and guarantees
The parent company has given guarantees totalling £58,040,000 (2016: £47,626,000) as part of its development obligations.

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

	At 30 September 2017 £'000	At 30 September 2016 £'000
Contracted but not provided for	**39,956**	27,589

20. Leases
Operating lease commitments where the Group is the lessee
The future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

Land and buildings	**At 30 September 2017 £'000**	At 30 September 2016 £'000
In one year or less	**2,016**	1,981
Between one and five years	**1,748**	3,638
In five years or more	**86**	139
	3,850	5,758

Operating lease commitments where the Group is the lessor
The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

Land and buildings (including investment property)	**At 30 September 2017 £'000**	At 30 September 2016 £'000
In one year or less	**5,430**	5,516
Between one and five years	**12,684**	13,900
In five years or more	**20,882**	23,638

	38,996	43,054

21. Related party transactions

Key management personnel

The Directors of the Company who served during the year are considered to be key management personnel.

Fees, other income and amounts due from joint ventures and associates

The following amounts are due from the Group's joint ventures and associates. These sums relate to loans provided to those entities and form part of the net investment in that entity.

	At 30 September 2017 £'000	At 30 September 2016 £'000
SUE Developments LP	**36,558**	25,607
Wintringham Partners LLP	**14,303**	—
Terrace Hill Residential PLC	**4,220**	4,220
Achadonn Limited	**3,316**	3,316
Altira Park JV LLP	**—**	499
	58,397	33,642

Amounts due from Terrace Hill Residential PLC have been fully provided against at 30 September 2017 and 2016. On 13 October 2015 Terrace Hill Residential PLC went into liquidation. The total provision at 30 September 2017 against amounts due from Achadonn Limited was £1,243,000 (2016: £1,243,000).

Fees charged by the Group to SUE Developments LP during the year were £1,017,000 (2016: £717,000). Included in prepayments and accrued income at 30 September 2017 was £362,000 (2016: £556,000) in respect of these fees.

22. Post balance sheet events

In October 2017, the Group sold its trading property asset, Stansted Hotel, for minimum proceeds of £48.3 million and repaid the associated bank loan of £17.2 million. An additional sum of up to £1.1 million will be due to Urban&Civic depending on operational performance of the hotel over the next two years.

In October 2017, the Group purchased land at Priors Hall in Northamptonshire for a total consideration of £40.5 million. The acquisition was funded in part by the Homes and Communities Agency which is also making available additional facilities to cover future forecast infrastructure spend. Total committed facilities from the HCA for the transaction aggregate £45.4 million excluding accrued interest.

In November 2017, the Group sold its property asset, Feethams Darlington, shown on the balance sheet as investment properties held for sale, for proceeds of £21.6 million and repaid the associated bank loan of £14.0 million.

Glossary of terms

AGM	Annual General Meeting
Catesby/Catesby Property Group plc/Catesby Estates plc	Catesby Property Group plc and subsidiaries, joint ventures and associates
CIL	Communities infrastructure levy
Company	Urban&Civic plc
DCLG	Department for Communities and Local Government
Earnings per share (EPS)	Profit after tax divided by the weighted average number of shares in issue
EBT/the Trust	Urban&Civic Employee Benefit Trust
EC Reference Rate	European Commission Reference Rate
Employment land/plots	Land and parcels of land upon which a variety of commercial uses will be delivered in accordance with a planning consent
EPRA	European Public Real Estate Association
EPRA net asset value (EPRA NAV)	Net assets attributable to equity shareholders of the Company, adjusted for the revaluation surpluses on trading properties and eliminating any deferred taxation liability for revaluation surpluses
EPRA net gearing	Total debt less cash and cash equivalents divided by EPRA net assets
EPRA triple net asset value (EPRA NNNAV)	EPRA net asset value adjusted to include deferred tax on property valuations and capital allowances
Estimated rental value (ERV)	Open market rental value that could reasonably be expected to be obtained for a new letting or rent review at a particular point in time
EZ	Enterprise Zone
Fair value	The price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at a measureable date (i.e. an exit price)

FRC	Financial Reporting Council
FRS 102	Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’
Group and Urban&Civic Group	Urban&Civic plc and subsidiaries, joint ventures and associates
Gross development value (GDV)	Sales value once construction is complete
Gearing	Group borrowings as a proportion of net asset value (either IFRS or EPRA depending on stated denominator)
HCA	Homes and Communities Agency
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Initial yield	Annualised net rent as a proportion of property value
ISA	International Standards on Auditing
Key performance indicators (KPIs)	Significant areas of Group operations that have been identified by the Board capable of measurement and are used to evaluate Group performance
LADs	Liquidated Ascertained Damages
LEP	Local Enterprise Partnership
Listing	The 22 May 2014 transfer of Urban&Civic plc from the Alternative Investment Market (AIM) to the standard listing segment of the Capital Official List and admission to trading on the London Stock Exchange
Look-through gearing	Gearing including the Group’s share of joint ventures and associates borrowing
LTV	Loan to value
Net asset value (NAV)	Value of the Group’s balance sheet attributable to the owners of the Company
Net gearing	Total debt less cash and cash equivalents divided by net assets
NPPF	National Planning Policy Framework
Private rented sector (PRS)	A sector of the real estate market where residential accommodation is privately owned and rented out as housing, usually by an individual landlord, but potentially by housing organisations
PSP	Performance Share Plan
S106	Section 106 planning obligations
SDLT	Stamp Duty Land Tax
Terrace Hill group	Terrace Hill Group plc and subsidiaries at 21 May 2014
Total return	Movement in the value of net assets, adjusted for dividends paid, as a proportion of opening net asset value
Total shareholder return (TSR)	Growth in the value of a shareholding, assuming reinvestment of any dividends into shares, over a period
Urban&Civic plc	Parent company of the Group
Voids	Period of non-occupancy of a lease

Risk review

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

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

Risk management framework

Risk governance
Establish risk appetite

Risk identification and assessment
Identify and evaluate risk

Risk response and risk reporting
Review, report and revise

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

The Board
Ultimate responsibility for risk management and internal controls, including regular review of key risks and internal control reports.

Audit Committee
Reviews the adequacy and effectiveness of the Group's financial and non-financial internal controls and risk management systems. Monitors and reviews external audit, including the auditor's report.

Executive Directors
Design and manage internal controls and risk management systems, maintain risk registers and are responsible for risk reporting across the Group.

Executive Management Committee (EMC)
Provides input into the designs of internal controls and risk management systems and supports the Executive Directors in respect of maintaining risk registers and risk reporting across the Group.

Internal audit (third party)
Internal control reviews to agreed scope

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

A key improvement made by the Audit Committee this year, and one worth highlighting, is the appointment of Grant Thornton to provide internal audit services to the Group and to report and provide assurance on the adequacy of the financial and non-financial controls.

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

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

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

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

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

Risk management framework components
The principal components of the Group's risk management framework comprise a risk appetite table, risk registers, risk heat map and associated scoring matrices.

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

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

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

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

Risk description	Risk appetite	Risk behaviour
External environment	High	The Group is prepared to operate in a volatile environment, but only when enhanced returns compensate for increased risk. Long-term viability is a key override.
Operational strategy	Moderate/high	The Group's strategy is enshrined in its investment decisions and investment thresholds and structures.
Operations	Low	The Board seeks to deliver developments effectively, complying with all legislation and avoiding actions that could adversely impact performance or reputation.
Finance	Low	The Group will seek to put in place non or limited recourse funding lines, with non-onerous covenants (on a flexed basis) and will not seek to borrow against land (with the exception of infrastructure loans provided by the Homes and Communities Agency).
People	Low	The Group cannot function without a motivated and well-trained workforce and aims to recruit and retain high calibre staff and to train and promote staff, where appropriate.

As previously noted, a key component of the Group's risk management framework is the maintenance of a risk register. The Group's risk register typically includes around 30 risks across all risk areas. The nine key risks, which have been reviewed by the Board and rationalised from those presented last year, are set out on the following pages.

Impact of risk	Controls and mitigation/action	Movement description	Risk rating after mitigation
R1. Market risk – External environment			
The business model may be affected by external factors such as economic conditions, the property market, quoted property sector and political and legislative factors, such as changes in tax policy or a change in government. Adverse changes in market conditions and the economic environment increase the risk of a decline in shareholder returns.	• Strategy is considered at each Board meeting and specifically at the annual business strategy meeting. • Consideration when making decisions is given to external markets, dynamics and influences. • Press, industry forums and adviser updates are used to keep executives up to date in respect of external markets. • Regional focus and local knowledge in areas with strong underlying economics (such as job creation) mitigate the impact of market and economic shocks. • Increased focus on putting in place sales contracts with contractual annual minimums in respect of the Group's most prominent segment: strategic sites. • Prior to investment, detailed due diligence and financial appraisals are rigorously carried out and flexed to establish the financial outcome on a downside-case basis. • Business plan and rolling long-term cash flow forecasts with detailed sensitivity analysis. • Ongoing monitoring with the assistance, when required, of appropriate professional advisers (tax, accounting, regulatory and company law).	**Increase in risk rating** • The triggering of Article 50 and ongoing Brexit negotiations could result in trading arrangements with the European Union that are damaging to the UK economy, increasing market risk correspondingly. Clarity may not be achieved in the forthcoming year.	High
R2. Strategic risk – Operational strategy			

Implementing a strategy inconsistent with market environment, skillset and experience of the business could devalue the Group's property portfolio, have an adverse impact on the Group's cash flows and consequently erode total shareholder return.	• Board meetings are held at two-monthly intervals to review progress against objectives and, where necessary, to update strategy. • The Group annually approves a business plan and produces rolling longer-term cash flow forecasts with detailed sensitivity analysis. These are reviewed against the Group's KPIs and revised where necessary. • For assets under development, budgets are prepared and approved by the Board, costs are monitored by the Board and remedial actions are identified and approved where necessary. • Material capital commitments, which have not previously been approved in the Group business plan, require additional Board approval. • Executive Management Committee (EMC) oversight of project monitoring, risk reporting and communication throughout the corporate structure.	**Decrease in risk rating** • Improved governance, through the new EMC and enhanced financial reporting to the Board, has uprated project monitoring, risk reporting and communication throughout the corporate structure. • Third party internal auditor appointment, together with completed reviews of the Group's risk management framework, procure -to-pay procedures and management and development of projects, has provided additional assurance.	Medium
R3. Legal and regulatory risk – Operational strategy			
Non-compliance with laws and regulations could result in project delays, failure to obtain planning consents, financial penalties and reputational damage.	• The Group employs highly qualified and experienced staff and retains specialist consultants, where appropriate, to ensure compliance with laws and regulations.	**No change in risk rating** • Despite increased regulation over a number of operational areas and events such as the Grenfell Tower disaster in the year, no change to the legal and regulatory risk rating has been made as the Board is satisfied that the impact of an event remains unaltered and controls in place remain effective.	Low
R4. Competition risk – Operational strategy			
Competition in the market could result in assets being acquired at excessive prices, potential assets not being acquired because pricing is too high or developments commencing at the wrong point in the cycle.	• Use of experience and expertise in determining suitable offer prices and optimal project timings to maximise returns. • Assessment of the threats of competition before acquiring assets.	**Increase in risk rating** • Our competitors continue to benefit from strong cash generation and capital availability, particularly in strategic land and land promotion sectors.	Medium
R5. Financial risk – Finance			

Lack of funding, cost overruns or failure to adhere to loan covenants could result in financial loss or affect the ability to take advantage of opportunities as they arise.	• Detailed annual business plan prepared, approved and regularly monitored by the Board. • Continuous monitoring of capital and debt markets (with advisers). • Maintenance of good relationships with lenders. • Review of principal terms of prospective loans and ongoing monitoring of covenants/requirements to ensure compliance.	**No change in risk rating** • Improved management reporting and increased human resources have reduced monitoring risk. • Contractual minimums with housebuilders at the Group's strategic land sites have improved certainty over short-term cash receipts (subject to ongoing viability of the counterparty housebuilder). • Reduced cash reserves, following the ongoing deployment of the 2014 capital raise funds, have increased financial risk when compared to last year. • Strategic land sites passing or fast approaching peak equity reduces ongoing financial risk. • On balance the Board believes the Group's financial risk remains unchanged.	Low
R6. Delivery risk – Operations			
Ineffective delivery of projects could lead to delays, reduced build quality and cost pressures.	• Projects are monitored on an ongoing basis by the Board. • Internal development and project management teams manage project delivery. • Fixed price contracts are used where appropriate. • Third party internal audit review of project delivery mechanisms.	**No change in risk rating** • Despite the improvement in formal governance set out above, the Group's fundamental approach to delivery remains unchanged.	Low
R7. Health and safety risk – Operations			
Serious injury and loss of life. Developments may be adversely impacted by site closure, delays and cost overrun. Damage to reputation. Directors' liability.	• Health and safety procedures are reviewed, including the appointment of principal contractor and planning co-ordinator (to ensure compliance with the Construction (Design and Management) Regulations or as amended). • Strict adherence to health and safety procedures at operational sites and Group offices. • Due diligence carried out (including appropriate references) on principal contractor and design consultants prior to appointment. • Appropriate insurance cover is carried by either the Group or its contractors.	**Increase in risk rating** • Increased risk rating due to increased scale of development. Training and new committees being undertaken and formed should reduce this risk back to historic levels going forward.	Medium
R8. Cyber risk – Operations			

Loss of business credibility due to lack of timely, accurate information. Cost of reinstatement. Cost and reputational damage of breaches of data protection regulations.	• Password protocols and protections. • Physical access to premises and computer servers restricted. • Firewalls and anti-virus software with regular updates. • Computer data backup and recovery procedures and periodic testing. • Hardware replacement programme to reduce vulnerability. • Administration rights restrictions.	**Increase in risk rating** • Outdated hardware, including firewalls and servers, replaced. • New data recovery procedures implemented and tested during the year. • Periodic review meetings held with external IT support providers. • Weekly reports on IT performance received. • Third party internal audit of IT systems and procedures scheduled for Q1 2018.	Low
R9. People risk – People			
Over-reliance on key people or inability to attract and retain people with appropriate qualities and skills, making the Group operationally vulnerable in terms of both time delays and replacement cost.	• The Group offers a competitive remuneration package including both long and short-term incentives. • Remuneration Committee to review the remuneration policy and long-term incentives for staff (below Board level) in 2018. • Employees generally work on a number of projects across the Group and are not dedicated to one particular site. • Short reporting lines and delegated authority ensure staff feel they are contributing to the success of the Group. • The Nomination Committee reviews succession planning. • Appropriate notice periods to minimise disruption.	**Decrease in risk rating** • More robust succession plans have been put in place during the year. • Formation of EMC devolves and spreads responsibilities more widely. • Greater formal and informal staff engagement has occurred during the year.	Low