

This document comprises a prospectus relating to Terrace Hill Group plc (to be renamed Urban&Civic plc) (the “Company”) and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (“FCA”) made pursuant to Part VI of the Financial Services and Markets Act 2000, as amended (“FSMA”). A copy of this document has been filed with the FCA and made available to the public as required by Rule 3.2.1 of the Prospectus Rules. This document has been approved as a prospectus by the FCA under section 87A of FSMA.

Applications will be made to the FCA for the entire issued and to be issued ordinary share capital (the “Enlarged Share Capital”) to be admitted to the standard listing segment of the Official List of the FCA and to London Stock Exchange plc (the “London Stock Exchange”) for the Enlarged Share Capital to be admitted to trading on the London Stock Exchange’s Main Market for listed securities (together, “Admission”). It is expected that Admission will become effective and that dealings in the Enlarged Share Capital will commence at 8.00 a.m. on 22 May 2014. The Company’s existing ordinary shares (the “Existing Ordinary Shares”) are already trading on the AIM market of the London Stock Exchange (“AIM”). Trading of the Existing Ordinary Shares on AIM will be suspended at 8.00 a.m. on 28 April 2014 and cancelled on Admission. No application has been made or is currently intended to be made for the Enlarged Share Capital to be admitted to listing or dealt with on any other exchange.

The Company, the Directors and the Proposed Directors, whose names appear on page 38 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company, the Directors and the Proposed Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read the whole of this document and, in particular, the section headed “Risk factors” in Part 2 of this document for a discussion of certain risks that should be considered in connection with an investment in the Company’s ordinary shares (the “Ordinary Shares”).

TERRACE HILL GROUP PLC

(to be renamed **Urban&Civic plc**)

(incorporated in Scotland under the Companies Act 1985 with registered number SC149799)

**Placing of 75,555,556 new Ordinary Shares
at a Placing Price of 225 pence each**

**Admission to the standard listing segment of the Official List and to trading on
the London Stock Exchange’s Main Market for listed securities**

J.P. Morgan Cazenove
Joint Bookrunner

Oriel Securities
Joint Bookrunner

The Placing Shares and the Consideration Shares (each as defined herein) will be issued credited as fully paid and will rank *pari passu* in all respects with the Existing Ordinary Shares on Admission, including the right to receive all dividends and other distributions declared, made or paid after Admission.

Oriel Securities Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as joint bookrunner to Terrace Hill and no one else in connection with the placing of the Placing Shares (the “Placing”) and Admission and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Placing and Admission and will not be responsible to anyone other than Terrace Hill for providing the protections afforded to its clients or for giving advice in connection with the Placing and Admission or any of the arrangements referred to or contained in this document.

J.P. Morgan Securities plc (which conducts its UK investment banking business as J.P. Morgan Cazenove), which is authorised by the Prudential Regulatory Authority and regulated by the FCA and the Prudential Regulatory Authority, is acting exclusively as joint bookrunner to Terrace Hill and no one else in connection with the Placing and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Placing and will not be responsible to anyone other than Terrace Hill for providing the protections afforded to its clients or for giving advice in connection with the Placing or any of the arrangements referred to or contained in this document.

J.P. Morgan Limited (which conducts its UK investment banking business as J.P. Morgan Cazenove), which is authorised and regulated in the United Kingdom by the FCA, is acting exclusively as financial adviser to Urban&Civic Holdings S.à. r.l. (“Urban&Civic”) and no one else in connection with the acquisition of Urban&Civic (the “Acquisition”) and will not regard any other person (whether or not as a recipient of this document) as its client in relation to the Acquisition and will not be responsible to anyone other than Urban&Civic for providing the protections afforded to its

clients or for giving advice in connection with the Acquisition or any of the arrangements referred to or contained in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Oriel Securities Limited, J.P. Morgan Securities plc or J.P. Morgan Limited by FSMA or the regulatory regime established thereunder, none of Oriel Securities Limited, J.P. Morgan Securities plc or J.P. Morgan Limited accepts any responsibility or liability whatsoever, and makes no representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on behalf of it, the Company, Urban&Civic, the Directors, the Proposed Directors or any other person in connection with Terrace Hill or Urban&Civic, or the Acquisition, Placing or Admission, and nothing in this document is or shall be relied upon as a promise or representation in this respect, whether as to the past or future. Each of Oriel Securities Limited, J.P. Morgan Securities plc and J.P. Morgan Limited accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this document or any such statement.

No person is authorised in connection with the Proposals to give any information or to make any representation other than as contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of Terrace Hill, Urban&Civic, Oriel Securities Limited, J.P. Morgan Securities plc or J.P. Morgan Limited. None of the above takes any responsibility for, or can provide assurance as to the reliability of, other information that you may be given.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

The contents of this document are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

NOTICE TO PROSPECTIVE INVESTORS IN CANADA, JAPAN AND THE REPUBLIC OF SOUTH AFRICA

The distribution of this document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful, and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document is not for distribution in or into, Canada, Japan or the Republic of South Africa (collectively, with the United States, the "Excluded Territories") and, subject to certain exemptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered directly or indirectly, within the Excluded Territories or in any other country where such offer, sale or other activity may lead to a breach under any law or regulatory requirements.

No action has been or will be taken by the Company, J.P. Morgan Cazenove or Oriel Securities to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or qualified for sale under the laws of any state or other jurisdiction of the United States, States, and may not be offered, sold, pledged or otherwise transferred except (i) in the United States only to a person that the seller and any person acting on its behalf reasonably believes is a qualified institutional buyer ("QIB") as defined in and in accordance with Rule 144A under the Securities Act ("Rule 144A"); or (ii) in an offshore transaction within the meaning of and in accordance with Regulation S under the Securities Act ("Regulation S"), in each case in accordance with any applicable securities laws of any state of the United States or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. There will be no public offer of the Ordinary Shares in the United States. Investors are hereby notified that sellers of the Ordinary Shares may be relying on an exemption from the provisions of Section 5 of the Securities Act.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission ("SEC"), any state securities commission in the United States or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States. The Ordinary Shares are subject to restrictions on transferability and resale and may not be transferred or resold except in accordance with the Securities Act and any applicable state securities laws. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Ordinary Shares for an indefinite period of time. Please see paragraph 3 of Part 2 of this document for further information.

NOTICE TO PROSPECTIVE INVESTORS IN AUSTRALIA

This document is not a prospectus or other disclosure document, or a product disclosure statement, under Chapter 6D or Part 7.9, respectively, of the Australian Corporations Act 2001 (Cth) ("Corporations Act"), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a prospectus or other disclosure document, or a product disclosure statement, under Chapter 6D or Part 7.9, respectively, of the Corporations Act. Accordingly (i) the Placing may only be made to persons to whom it is lawful to offer those shares without disclosure to investors under Chapter 6D of the Corporations Act under one or more of the exemptions set out in section 708 of the Corporations Act, (ii) this document may only be made available in Australia to the persons as set forth in clause (i) above, (iii) each investor must warrant and agree that in accepting the offer of Ordinary Shares under this document, the investor is a person referred to in clause (i) above and (iv) unless otherwise permitted under the Corporations Act, the investor agrees not to sell or otherwise dispose of any Ordinary Shares within Australia within 12 months after the date of their issue to the investor.

Neither the Company nor the Joint Bookrunners are licensed in Australia to provide financial product advice in relation to the Ordinary Shares and any advice contained in this document is general advice only and does not take into account any person's objectives, financial situation or needs. Before acting on any such advice, investors should read this document in full and consider the appropriateness of the advice, taking into account their own objectives, financial situation and needs (including financial and tax needs) and seek independent professional advice from their financial or other professional adviser before deciding whether to apply for Ordinary Shares under the Placing. No cooling-off period applies in respect of the acquisition of Ordinary Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION FOR INVESTORS IN THE UNITED STATES

For so long as any Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) of the Exchange Act provide, upon written request, to holders of Ordinary Shares, any owner of any beneficial interest in Ordinary Shares or to any prospective purchaser designated by such a holder or owner, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act. This document is being provided by the Company in connection with an offer exempt from the registration requirements of the Securities Act, solely for the purpose of enabling a prospective investor to consider the subscription for or acquisition of Ordinary Shares described in this document. The information contained in this document has been provided by the Company and other identified sources. In the United States this document is being provided on a confidential basis to persons in the United States. Any reproduction or distribution of this document, in whole or in part, in the United States, and any disclosure of its contents or use of any information herein or therein in the United States for any purpose, other than for considering an investment by the recipient in the Ordinary Shares offered hereby or thereby, is prohibited. Each potential investor in the Ordinary Shares, by accepting delivery of this document, agrees to the foregoing.

ENFORCEMENT OF JUDGMENTS

The Company is a public company incorporated under the laws of Scotland. The majority of the assets of the Enlarged Group are located outside of the United States. A majority of the Directors, the Proposed Directors and senior management team of the Company are not citizens or residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons or to enforce outside the United States judgments obtained against the Company or such persons in US courts, including, without limitation, judgments based upon the civil liability provisions of the US federal securities laws, or the laws of any state or territory within the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Scotland. Investors may also have difficulties enforcing, in original actions brought in courts in jurisdictions outside the United States, liabilities under US securities laws.

ERISA

The Company will use commercially reasonable efforts to restrict the ownership and holding of its Ordinary Shares to the extent necessary so that none of its assets will constitute “plan assets” under the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”).

If any Ordinary Shares are owned directly or beneficially by a person believed by the Company to be an investor that is subject to ERISA or US Internal Revenue Code Section 4975 (a “Plan Investor”), where the Company reasonably believes that the Company itself may be considered to hold “Plan Assets” under ERISA as a result of such Plan Investor owning such Ordinary Shares, the Company may give notice to such person requiring him either (i) to provide the Company within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Company that such person is not a Plan Investor or (ii) to sell or transfer his Ordinary Shares to a person qualified to own the same and is not a Plan Investor within 30 days, and within such 30 days to provide the Company with satisfactory evidence of such sale or transfer.

CONTENTS

	<i>Page</i>
PART 1 SUMMARY	6
PART 2 RISK FACTORS	17
PART 3 IMPORTANT INFORMATION	30
PART 4 EXPECTED TIMETABLE OF PRINCIPAL EVENTS	36
PART 5 INDICATIVE STATISTICS	37
PART 6 DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS	38
PART 7 INFORMATION ON THE ENLARGED GROUP	40
PART 8 DETAILS OF THE PLACING	59
PART 9 OVERVIEW OF THE ENLARGED GROUP'S MARKET	70
PART 10 INFORMATION ON URBAN&CIVIC	80
PART 11 INFORMATION ON TERRACE HILL	82
PART 12 SELECTED FINANCIAL INFORMATION ON URBAN&CIVIC	84
PART 13 SELECTED FINANCIAL INFORMATION ON TERRACE HILL	85
PART 14 OPERATING AND FINANCIAL REVIEW OF URBAN&CIVIC	87
PART 15 OPERATING AND FINANCIAL REVIEW OF TERRACE HILL	100
PART 16 HISTORICAL FINANCIAL INFORMATION ON THE URBAN&CIVIC GROUP	120
PART 17 HISTORICAL FINANCIAL INFORMATION ON THE TERRACE HILL GROUP	142
PART 18 UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TERRACE HILL GROUP	189
PART 19 PROPERTY VALUATION REPORT	196
PART 20 ADDITIONAL INFORMATION	204
PART 21 DEFINITIONS	259
PART 22 GLOSSARY OF INDUSTRY TERMS	266

PART 1
SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A–E (A.1–E.7).

This summary contains all the Elements required to be included in a summary for this type of security and company. As some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and company, it is possible that no relevant information can be given regarding the Element. In this case, a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
A.1	Warning	This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable, as the Company has not given consent to the use of this document for subsequent resale or any final placement of Ordinary Shares by financial intermediaries.

Section B – Company and any guarantor

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
B.1	Legal and commercial name	The issuer’s legal and commercial name is Terrace Hill Group plc. If the Resolution is passed, the Company’s name will change to Urban&Civic plc on Admission.
B.2	Domicile/legal form/legislation/ country of incorporation	The Company was incorporated in Scotland on 16 March 1994 under the Companies Act 1985 as a private limited company with registered number SC149799. The principal legislation under which the Company operates is the Act and the regulations made thereunder.
B.3	Key factors of Company’s current operations and principal activities	The Company is the holding company for the Terrace Hill Group whose Ordinary Shares are currently admitted to trading on AIM. The Terrace Hill Group is a regionally based UK property development group. As part of the Proposals, the Company is seeking to acquire Urban&Civic and have its issued and to be issued ordinary share capital admitted to the standard listing segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities.

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>																																																															
B.4a	Significant trends	Following an extended recession and, by historical averages, a slow recovery, a number of key indicators suggest that recovery in the UK economy is accelerating. The Enlarged Board believes that imbalances between housebuilding supply and demand, and the continued attractiveness of the UK for retailers, corporate occupiers and students, will support future economic growth and provide attractive opportunities for strategic residential and commercial real estate development.																																																															
B.5	Group structure	The Company is the holding company of the Terrace Hill Group's various principal subsidiaries and Urban&Civic is the holding company of the Urban&Civic Group's various principal subsidiaries. Following Admission, the Company will be the holding company of the Enlarged Group.																																																															
B.6	Notifiable share ownership	<p>As at the Latest Practicable Date, the interests (all of which are beneficial unless otherwise stated) of the Directors, the Proposed Directors and Senior Managers (as well as their immediate families) in the share capital of the Company or (so far as is known or could with reasonable due diligence be ascertained by the relevant Director, Proposed Director or Senior Manager) interests of a person connected (within the meaning of section 252 of the Act) with a Director, Proposed Director or Senior Manager and the existence of which was known to or could, with reasonable due diligence, be ascertained by the relevant Director, Proposed Director or Senior Manager are as follows:</p> <table border="1"> <thead> <tr> <th><i>Name</i></th> <th><i>Number of Existing Ordinary Shares</i></th> <th><i>% of issued share capital</i></th> </tr> </thead> <tbody> <tr> <td>Nigel Hugill</td> <td>–</td> <td>–</td> </tr> <tr> <td>Robin Butler</td> <td>–</td> <td>–</td> </tr> <tr> <td>Philip Leech</td> <td>2,399,472</td> <td>1.13</td> </tr> <tr> <td>Jon Austen</td> <td>440,130</td> <td>0.21</td> </tr> <tr> <td>Robert Adair (including family trusts)</td> <td>133,266,239</td> <td>62.87</td> </tr> <tr> <td>June Barnes</td> <td>–</td> <td>–</td> </tr> <tr> <td>Alan Dickinson</td> <td>–</td> <td>–</td> </tr> <tr> <td>Robert Dyson</td> <td>623,000</td> <td>0.29</td> </tr> <tr> <td>Duncan Hunter</td> <td>–</td> <td>–</td> </tr> <tr> <td>Mark Tagliaferri*</td> <td>–</td> <td>–</td> </tr> <tr> <td>Nick Gaskell</td> <td>–</td> <td>–</td> </tr> <tr> <td>Will Wyatt**</td> <td>17,600,000</td> <td>8.30</td> </tr> <tr> <td>Richard Hepworth</td> <td>–</td> <td>–</td> </tr> <tr> <td>Tim Leathes</td> <td>–</td> <td>–</td> </tr> <tr> <td>Robert Lane</td> <td>–</td> <td>–</td> </tr> <tr> <td>Duncan McEwan</td> <td>–</td> <td>–</td> </tr> <tr> <td>Adam Pratt</td> <td>–</td> <td>–</td> </tr> <tr> <td>James Scott</td> <td>–</td> <td>–</td> </tr> <tr> <td>Nigel Wakefield</td> <td>–</td> <td>–</td> </tr> <tr> <td>David Wood</td> <td>–</td> <td>–</td> </tr> </tbody> </table> <p>*Mark Tagliaferri holds a 0.2 per cent. indirect interest in GIP U&C which will hold approximately 40,447,294 Consolidated Ordinary Shares on Admission.</p> <p>**Will Wyatt holds an 8.3 per cent. indirect interest in the Company, through Caledonia Investments plc in which he holds an interest of 1.87 per cent.</p> <p>As at the Latest Practicable Date and as expected to be held immediately following Admission the Company is aware of the following persons (other than any Director or Senior Manager) who by virtue of the Proposals or the notifications made to it pursuant to the Act and/or the Disclosure and Transparency Rules, are, or immediately following Admission will be, interested, directly or indirectly, in three per cent. or more of the Company's issued share capital:</p>	<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of issued share capital</i>	Nigel Hugill	–	–	Robin Butler	–	–	Philip Leech	2,399,472	1.13	Jon Austen	440,130	0.21	Robert Adair (including family trusts)	133,266,239	62.87	June Barnes	–	–	Alan Dickinson	–	–	Robert Dyson	623,000	0.29	Duncan Hunter	–	–	Mark Tagliaferri*	–	–	Nick Gaskell	–	–	Will Wyatt**	17,600,000	8.30	Richard Hepworth	–	–	Tim Leathes	–	–	Robert Lane	–	–	Duncan McEwan	–	–	Adam Pratt	–	–	James Scott	–	–	Nigel Wakefield	–	–	David Wood	–	–
<i>Name</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of issued share capital</i>																																																															
Nigel Hugill	–	–																																																															
Robin Butler	–	–																																																															
Philip Leech	2,399,472	1.13																																																															
Jon Austen	440,130	0.21																																																															
Robert Adair (including family trusts)	133,266,239	62.87																																																															
June Barnes	–	–																																																															
Alan Dickinson	–	–																																																															
Robert Dyson	623,000	0.29																																																															
Duncan Hunter	–	–																																																															
Mark Tagliaferri*	–	–																																																															
Nick Gaskell	–	–																																																															
Will Wyatt**	17,600,000	8.30																																																															
Richard Hepworth	–	–																																																															
Tim Leathes	–	–																																																															
Robert Lane	–	–																																																															
Duncan McEwan	–	–																																																															
Adam Pratt	–	–																																																															
James Scott	–	–																																																															
Nigel Wakefield	–	–																																																															
David Wood	–	–																																																															

Element	Disclosure requirement	Disclosure																																																																										
		<table border="1"> <thead> <tr> <th rowspan="2">Name</th> <th colspan="2">As at the Latest Practicable Date</th> <th colspan="2">Following Admission</th> </tr> <tr> <th>Number of Existing Ordinary Shares</th> <th>Percentage of voting rights</th> <th>Number of Consolidated Ordinary Shares</th> <th>Percentage of voting rights⁽¹⁾</th> </tr> </thead> <tbody> <tr> <td>GIP U&C Caledonia Investments plc</td> <td>–</td> <td>–</td> <td>40,447,294</td> <td>28.9</td> </tr> <tr> <td></td> <td>17,600,000</td> <td>8.30</td> <td>1,760,000</td> <td>1.3</td> </tr> </tbody> </table> <p>(1) Assuming that the Company issues 75,555,556 Placing Shares (excluding any Employee Shares)</p> <p>In the period from 1 October 2010 to the Latest Practicable Date, there was no significant change in the interests of the Company held by any Director, Proposed Director or Senior Manager, or any other person who has during such period had an interest in more than three per cent. of the Company's issued share capital.</p>	Name	As at the Latest Practicable Date		Following Admission		Number of Existing Ordinary Shares	Percentage of voting rights	Number of Consolidated Ordinary Shares	Percentage of voting rights ⁽¹⁾	GIP U&C Caledonia Investments plc	–	–	40,447,294	28.9		17,600,000	8.30	1,760,000	1.3																																																							
Name	As at the Latest Practicable Date			Following Admission																																																																								
	Number of Existing Ordinary Shares	Percentage of voting rights	Number of Consolidated Ordinary Shares	Percentage of voting rights ⁽¹⁾																																																																								
GIP U&C Caledonia Investments plc	–	–	40,447,294	28.9																																																																								
	17,600,000	8.30	1,760,000	1.3																																																																								
B.7	Historical financial information	<p>The table below sets out selected financial and operating information of the Urban&Civic Group as at and for the financial years ended 31 December 2013, 2012 and 2011. This information has been extracted without material adjustment from section B in Part 16 of this document which includes the historical financial information on the Urban&Civic Group, and has been prepared on the basis described therein.</p> <p>SUMMARY OF URBAN&CIVIC GROUP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">Year ended 31 December</th> </tr> <tr> <th>2013</th> <th>2012</th> <th>2011</th> </tr> <tr> <th></th> <th>£'000</th> <th>£'000</th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>2,928</td> <td>2,859</td> <td>2,802</td> </tr> <tr> <td>Profit/(loss) before tax</td> <td>28,738</td> <td>(3,406)</td> <td>(7,090)</td> </tr> <tr> <td>Taxation expense</td> <td>(159)</td> <td>(119)</td> <td>(88)</td> </tr> <tr> <td>Profit/(loss) from the year⁽¹⁾</td> <td><u>28,579</u></td> <td><u>(3,525)</u></td> <td><u>(7,178)</u></td> </tr> <tr> <td>Basic earnings/(loss) per share⁽²⁾</td> <td>19.22</td> <td>(2.37)</td> <td>(4.84)</td> </tr> </tbody> </table> <p>(1) The Urban&Civic Group had no amounts of other comprehensive income in any of the periods set out above and the profit/(loss) for the respective year is wholly attributable to equity shareholders.</p> <p>(2) The calculation of earnings/(loss) per ordinary share is based on a profit of £28,579,000 (2012: losses of £3,525,000; 2011: losses of £7,178,000) and on 1,487,000 (2012: 1,485,000 and 2011: 1,482,000) ordinary shares, being the weighted average number of shares in issue during each year.</p> <p>SUMMARY OF URBAN&CIVIC GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">As at 31 December</th> </tr> <tr> <th>2013</th> <th>2012</th> <th>2011</th> </tr> <tr> <th></th> <th>£'000</th> <th>£'000</th> <th>£'000</th> </tr> </thead> <tbody> <tr> <td>Investment properties</td> <td>55,455</td> <td>55,000</td> <td>45,000</td> </tr> <tr> <td>Other non-current assets</td> <td>23</td> <td>31</td> <td>66</td> </tr> <tr> <td>Trading properties</td> <td>45,545</td> <td>–</td> <td>–</td> </tr> <tr> <td>Other current assets</td> <td>1,528</td> <td>1,242</td> <td>755</td> </tr> <tr> <td>Net debt*</td> <td>(79,512)</td> <td>(61,988)</td> <td>(48,959)</td> </tr> <tr> <td>Other non-current liabilities</td> <td>(7)</td> <td>(3)</td> <td>(10)</td> </tr> <tr> <td>Other current liabilities</td> <td>(2,352)</td> <td>(2,196)</td> <td>(1,241)</td> </tr> <tr> <td>Net assets/(liabilities)</td> <td><u>20,680</u></td> <td><u>(7,914)</u></td> <td><u>(4,389)</u></td> </tr> </tbody> </table> <p>*As at 31 December 2013, £71,389,000 of the Urban&Civic Group's net debt comprised preferred equity certificates issued by Urban&Civic to GIP U&C and certain other shareholders of Urban&Civic.</p>		Year ended 31 December			2013	2012	2011		£'000	£'000	£'000	Revenue	2,928	2,859	2,802	Profit/(loss) before tax	28,738	(3,406)	(7,090)	Taxation expense	(159)	(119)	(88)	Profit/(loss) from the year ⁽¹⁾	<u>28,579</u>	<u>(3,525)</u>	<u>(7,178)</u>	Basic earnings/(loss) per share ⁽²⁾	19.22	(2.37)	(4.84)		As at 31 December			2013	2012	2011		£'000	£'000	£'000	Investment properties	55,455	55,000	45,000	Other non-current assets	23	31	66	Trading properties	45,545	–	–	Other current assets	1,528	1,242	755	Net debt*	(79,512)	(61,988)	(48,959)	Other non-current liabilities	(7)	(3)	(10)	Other current liabilities	(2,352)	(2,196)	(1,241)	Net assets/(liabilities)	<u>20,680</u>	<u>(7,914)</u>	<u>(4,389)</u>
	Year ended 31 December																																																																											
	2013	2012	2011																																																																									
	£'000	£'000	£'000																																																																									
Revenue	2,928	2,859	2,802																																																																									
Profit/(loss) before tax	28,738	(3,406)	(7,090)																																																																									
Taxation expense	(159)	(119)	(88)																																																																									
Profit/(loss) from the year ⁽¹⁾	<u>28,579</u>	<u>(3,525)</u>	<u>(7,178)</u>																																																																									
Basic earnings/(loss) per share ⁽²⁾	19.22	(2.37)	(4.84)																																																																									
	As at 31 December																																																																											
	2013	2012	2011																																																																									
	£'000	£'000	£'000																																																																									
Investment properties	55,455	55,000	45,000																																																																									
Other non-current assets	23	31	66																																																																									
Trading properties	45,545	–	–																																																																									
Other current assets	1,528	1,242	755																																																																									
Net debt*	(79,512)	(61,988)	(48,959)																																																																									
Other non-current liabilities	(7)	(3)	(10)																																																																									
Other current liabilities	(2,352)	(2,196)	(1,241)																																																																									
Net assets/(liabilities)	<u>20,680</u>	<u>(7,914)</u>	<u>(4,389)</u>																																																																									

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>																																																																						
		<p>Since 31 December 2013, being the end of the period covered by the historical financial information of the Urban&Civic Group in Part 16 of this document, Urban&Civic issued a sixth series of preferred equity certificates in the aggregate amount of £4,985,091 in February 2014.</p> <p>The table below sets out selected audited financial information of the Terrace Hill Group as at and for the three months ended 31 December 2013, and the financial years ended 30 September 2013, 2012 and 2011. This information has been extracted without material adjustment from section B in Part 17 of this document and has been prepared on the basis described therein.</p> <p>SUMMARY OF TERRACE HILL GROUP STATEMENTS OF COMPREHENSIVE INCOME</p> <table> <thead> <tr> <th></th> <th colspan="2"><i>3 months ended</i></th> <th colspan="2"><i>Year ended 30 September</i></th> </tr> <tr> <th></th> <th colspan="2"><i>31 December</i></th> <th><i>2013</i></th> <th><i>2012</i></th> </tr> <tr> <th></th> <th><i>2013</i></th> <th><i>2012</i></th> <th><i>2013</i></th> <th><i>2011</i></th> </tr> <tr> <th></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> <th><i>£'000</i></th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>2,084</td> <td>48,486</td> <td>65,899</td> <td>66,410</td> </tr> <tr> <td>(Loss)/profit before tax</td> <td>(4,188)</td> <td>5,615</td> <td>7,464</td> <td>(4,559)</td> </tr> <tr> <td>Tax</td> <td>417</td> <td>(1,271)</td> <td>(58)</td> <td>(184)</td> </tr> <tr> <td>(Loss)/profit from continuing operations</td> <td>(3,771)</td> <td>4,344</td> <td>7,406</td> <td>(4,743)</td> </tr> <tr> <td>Profit/(loss) from discontinued operations ⁽¹⁾</td> <td>150</td> <td>586</td> <td>(5,664)</td> <td>(5,680)</td> </tr> <tr> <td>Total comprehensive (loss)/income ⁽²⁾</td> <td>(3,621)</td> <td>4,930</td> <td>1,742</td> <td>(10,423)</td> </tr> <tr> <td>Basic earnings per share from continuing operations ⁽³⁾</td> <td>(1.79p)</td> <td>2.06p</td> <td>3.51p</td> <td>(2.25p)</td> </tr> <tr> <td>Diluted earnings per share from continuing operations ⁽⁴⁾</td> <td>(1.79p)</td> <td>2.05p</td> <td>3.50p</td> <td>(2.25p)</td> </tr> <tr> <td>Total basic earnings per share ⁽³⁾</td> <td>(1.72p)</td> <td>2.34p</td> <td>0.83p</td> <td>(4.94p)</td> </tr> <tr> <td>Total diluted earnings per share ⁽⁴⁾</td> <td>(1.72p)</td> <td>2.33p</td> <td>0.82p</td> <td>(4.94p)</td> </tr> </tbody> </table> <p>(1) Reflects Terrace Hill's sale of its residential portfolio.</p> <p>(2) Terrace Hill had no amounts of other comprehensive income in any of the periods set out above, and the (loss)/income for the respective year is wholly attributable to equity shareholders.</p> <p>(3) The calculation of basic earnings per ordinary share is based on a loss of £3,621,000 (2013 profit: £4,930,000, 2012 profit: £1,742,000, 2011 loss: £10,423,000) and on 210,951,299 (2013: 210,951,299, 2012: 210,951,299, 2011: 210,951,299) ordinary shares, being the weighted average number of shares in issue during the year.</p> <p>(4) The calculation of diluted earnings per ordinary share for December 2013 (also year ended September 2011) is the same as that for basic earnings per share. The calculation for diluted earnings per ordinary share in September 2013 was based on earnings of £4,930,000 (2012: £1,742,000) and on 211,545,352 (2012: 211,426,546) ordinary shares being the weighted average number of shares in issue during the period adjusted to allow for the issue of ordinary shares in connection with share awards.</p>		<i>3 months ended</i>		<i>Year ended 30 September</i>			<i>31 December</i>		<i>2013</i>	<i>2012</i>		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	Revenue	2,084	48,486	65,899	66,410	(Loss)/profit before tax	(4,188)	5,615	7,464	(4,559)	Tax	417	(1,271)	(58)	(184)	(Loss)/profit from continuing operations	(3,771)	4,344	7,406	(4,743)	Profit/(loss) from discontinued operations ⁽¹⁾	150	586	(5,664)	(5,680)	Total comprehensive (loss)/income ⁽²⁾	(3,621)	4,930	1,742	(10,423)	Basic earnings per share from continuing operations ⁽³⁾	(1.79p)	2.06p	3.51p	(2.25p)	Diluted earnings per share from continuing operations ⁽⁴⁾	(1.79p)	2.05p	3.50p	(2.25p)	Total basic earnings per share ⁽³⁾	(1.72p)	2.34p	0.83p	(4.94p)	Total diluted earnings per share ⁽⁴⁾	(1.72p)	2.33p	0.82p	(4.94p)
	<i>3 months ended</i>		<i>Year ended 30 September</i>																																																																					
	<i>31 December</i>		<i>2013</i>	<i>2012</i>																																																																				
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2011</i>																																																																				
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>																																																																				
Revenue	2,084	48,486	65,899	66,410																																																																				
(Loss)/profit before tax	(4,188)	5,615	7,464	(4,559)																																																																				
Tax	417	(1,271)	(58)	(184)																																																																				
(Loss)/profit from continuing operations	(3,771)	4,344	7,406	(4,743)																																																																				
Profit/(loss) from discontinued operations ⁽¹⁾	150	586	(5,664)	(5,680)																																																																				
Total comprehensive (loss)/income ⁽²⁾	(3,621)	4,930	1,742	(10,423)																																																																				
Basic earnings per share from continuing operations ⁽³⁾	(1.79p)	2.06p	3.51p	(2.25p)																																																																				
Diluted earnings per share from continuing operations ⁽⁴⁾	(1.79p)	2.05p	3.50p	(2.25p)																																																																				
Total basic earnings per share ⁽³⁾	(1.72p)	2.34p	0.83p	(4.94p)																																																																				
Total diluted earnings per share ⁽⁴⁾	(1.72p)	2.33p	0.82p	(4.94p)																																																																				

Element	Disclosure requirement	Disclosure																																																																											
		<p>SUMMARY OF TERRACE HILL GROUP STATEMENTS OF FINANCIAL POSITION</p> <table> <thead> <tr> <th></th> <th style="text-align: right;"><i>As at</i> 31 December 2013 £'000</th> <th style="text-align: right;"><i>As at</i> 30 September 2013 £'000</th> <th style="text-align: right;"><i>As at</i> 30 September 2012 £'000</th> <th style="text-align: right;"><i>As at</i> 30 September 2011 £'000</th> </tr> </thead> <tbody> <tr> <td>Investment properties</td> <td style="text-align: right;">126</td> <td style="text-align: right;">162</td> <td style="text-align: right;">15,178</td> <td style="text-align: right;">21,393</td> </tr> <tr> <td>Other non-current assets</td> <td style="text-align: right;">13,154</td> <td style="text-align: right;">12,952</td> <td style="text-align: right;">15,079</td> <td style="text-align: right;">14,920</td> </tr> <tr> <td>Development properties</td> <td style="text-align: right;">54,722</td> <td style="text-align: right;">58,200</td> <td style="text-align: right;">70,284</td> <td style="text-align: right;">72,961</td> </tr> <tr> <td>Trade and other receivables</td> <td style="text-align: right;">11,805</td> <td style="text-align: right;">14,573</td> <td style="text-align: right;">17,251</td> <td style="text-align: right;">9,918</td> </tr> <tr> <td>Net debt</td> <td style="text-align: right;">(15,402)</td> <td style="text-align: right;">(17,485)</td> <td style="text-align: right;">(47,166)</td> <td style="text-align: right;">(51,408)</td> </tr> <tr> <td>Other non-current liabilities</td> <td style="text-align: right;">(659)</td> <td style="text-align: right;">(867)</td> <td style="text-align: right;">(851)</td> <td style="text-align: right;">(917)</td> </tr> <tr> <td>Other current liabilities</td> <td style="text-align: right;">(11,627)</td> <td style="text-align: right;">(11,986)</td> <td style="text-align: right;">(19,562)</td> <td style="text-align: right;">(18,733)</td> </tr> <tr> <td>Net assets</td> <td style="text-align: right;"><u>52,119</u></td> <td style="text-align: right;"><u>55,549</u></td> <td style="text-align: right;"><u>50,213</u></td> <td style="text-align: right;"><u>48,134</u></td> </tr> </tbody> </table> <p>The table below sets out selected unaudited financial information of the Terrace Hill Group as at and for the three months ended 31 December 2013, and the financial years ended 30 September 2013, 2012 and 2011. This information has been extracted without material adjustment from Part 15 of this document and has been prepared on the basis described therein.</p> <table> <thead> <tr> <th></th> <th style="text-align: right;"><i>3 months to</i> 31 December 2013 £'000</th> <th style="text-align: right;"><i>Year ended</i> 30 September 2013 £'000</th> <th style="text-align: right;"><i>Year ended</i> 30 September 2012 £'000</th> <th style="text-align: right;"><i>Year ended</i> 30 September 2011 £'000</th> </tr> </thead> <tbody> <tr> <td>EPRA NAV^{(1) (2)}</td> <td style="text-align: right;">57,405</td> <td style="text-align: right;">61,272</td> <td style="text-align: right;">60,251</td> <td style="text-align: right;">59,787</td> </tr> <tr> <td>EPRA NAV per share (p)</td> <td style="text-align: right;">27.0</td> <td style="text-align: right;">28.8</td> <td style="text-align: right;">28.3</td> <td style="text-align: right;">28.1</td> </tr> <tr> <td>EPRA Triple NAV^{(3) (4)}</td> <td style="text-align: right;">55,040</td> <td style="text-align: right;">58,907</td> <td style="text-align: right;">57,063</td> <td style="text-align: right;">56,451</td> </tr> <tr> <td>EPRA Triple NAV per share (p)</td> <td style="text-align: right;">25.9</td> <td style="text-align: right;">27.7</td> <td style="text-align: right;">26.8</td> <td style="text-align: right;">26.6</td> </tr> <tr> <td>Net gearing⁽⁵⁾</td> <td style="text-align: right;">26.5%</td> <td style="text-align: right;">28.3%</td> <td style="text-align: right;">49.2%</td> <td style="text-align: right;">48.5%</td> </tr> </tbody> </table> <p>(1) "EPRA NAV" is a measure of NAV designed by the European Public Real Estate Association ("EPRA"), presenting NAV excluding the effects of fluctuations in value in instruments that are held for long term benefit, net of deferred tax.</p> <p>(2) Terrace Hill's EPRA NAV increased by 1.7 per cent. in 2013, to £61.3 million (28.8 pence per share), from £60.3 million (28.3 pence per share) in 2012. Terrace Hill's IFRS NAV also increased by 10.6 per cent. in 2013, to £55.5 million (26.2 pence per share) from £50.2 million in 2012. During 2013, the increase in Terrace Hill's EPRA NAV resulted principally from (i) an increase from operations; (ii) an increase resulting from the partial release of Terrace Hill's provision for financial guarantee for debts of an associate; (iii) a decrease resulting from movement in the value of Terrace Hill's development properties; (iv) a decrease arising from the movement in value and sales of Terrace Hill's residential investment properties; and (v) an increase in other movements including tax and share-based payments.</p> <p>(3) "EPRA Triple NAV" is a measure of NAV designed by EPRA presenting the current value of all assets and liabilities. EPRA Triple NAV is similar to EPRA NAV except that it includes the fair value of deferred tax liabilities, debt and financial instruments. Terrace Hill's EPRA Triple NAV takes into account any tax payable on profits arising if all of the Terrace Hill Group's properties were sold at the values used for EPRA NAV and the write-off goodwill.</p> <p>(4) EPRA Triple NAV, in addition to reflecting the write-off of goodwill, reflects any tax payable on profits arising if all Terrace Hill's properties were sold at the values used for EPRA NAV. No such tax was payable in any period shown. Terrace Hill's EPRA Triple NAV, increased by 3.2 per cent. in 2013, to £58.9 million (27.7 pence per share), from £57.1 million (26.8 pence per share) in 2012.</p> <p>(5) Net debt as a proportion of EPRA NAV.</p>		<i>As at</i> 31 December 2013 £'000	<i>As at</i> 30 September 2013 £'000	<i>As at</i> 30 September 2012 £'000	<i>As at</i> 30 September 2011 £'000	Investment properties	126	162	15,178	21,393	Other non-current assets	13,154	12,952	15,079	14,920	Development properties	54,722	58,200	70,284	72,961	Trade and other receivables	11,805	14,573	17,251	9,918	Net debt	(15,402)	(17,485)	(47,166)	(51,408)	Other non-current liabilities	(659)	(867)	(851)	(917)	Other current liabilities	(11,627)	(11,986)	(19,562)	(18,733)	Net assets	<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>		<i>3 months to</i> 31 December 2013 £'000	<i>Year ended</i> 30 September 2013 £'000	<i>Year ended</i> 30 September 2012 £'000	<i>Year ended</i> 30 September 2011 £'000	EPRA NAV ^{(1) (2)}	57,405	61,272	60,251	59,787	EPRA NAV per share (p)	27.0	28.8	28.3	28.1	EPRA Triple NAV ^{(3) (4)}	55,040	58,907	57,063	56,451	EPRA Triple NAV per share (p)	25.9	27.7	26.8	26.6	Net gearing ⁽⁵⁾	26.5%	28.3%	49.2%	48.5%
	<i>As at</i> 31 December 2013 £'000	<i>As at</i> 30 September 2013 £'000	<i>As at</i> 30 September 2012 £'000	<i>As at</i> 30 September 2011 £'000																																																																									
Investment properties	126	162	15,178	21,393																																																																									
Other non-current assets	13,154	12,952	15,079	14,920																																																																									
Development properties	54,722	58,200	70,284	72,961																																																																									
Trade and other receivables	11,805	14,573	17,251	9,918																																																																									
Net debt	(15,402)	(17,485)	(47,166)	(51,408)																																																																									
Other non-current liabilities	(659)	(867)	(851)	(917)																																																																									
Other current liabilities	(11,627)	(11,986)	(19,562)	(18,733)																																																																									
Net assets	<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>																																																																									
	<i>3 months to</i> 31 December 2013 £'000	<i>Year ended</i> 30 September 2013 £'000	<i>Year ended</i> 30 September 2012 £'000	<i>Year ended</i> 30 September 2011 £'000																																																																									
EPRA NAV ^{(1) (2)}	57,405	61,272	60,251	59,787																																																																									
EPRA NAV per share (p)	27.0	28.8	28.3	28.1																																																																									
EPRA Triple NAV ^{(3) (4)}	55,040	58,907	57,063	56,451																																																																									
EPRA Triple NAV per share (p)	25.9	27.7	26.8	26.6																																																																									
Net gearing ⁽⁵⁾	26.5%	28.3%	49.2%	48.5%																																																																									

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
		During the period covered by the historical financial information of the Terrace Hill Group in this document, Terrace Hill decided to exit from the private rented residential sector.
B.8	Pro forma financial information	<p>The unaudited pro forma effect of the Acquisition, the Placing and the Rugby Acquisition on the net assets of the Terrace Hill Group as if they had occurred on 31 December 2013 would be to increase net assets from £52.1 million to £308.0 million.</p> <p>The unaudited pro forma effect of the Acquisition, the Placing and the Rugby Acquisition on the total comprehensive income of the Terrace Hill Group for the year ended 30 September 2013 as if they had occurred on 1 October 2012 would be to increase total comprehensive income from £4.9 million to £39.7 million.</p>
B.9	Profit forecast	Not applicable; the Company has not published any profit forecasts or estimates. No profit forecast or estimate is included in this document.
B.10	Qualifications in the audit report	Not applicable; the Company has not had any qualifications in the audit report within its audited accounts in the period for which historical information is shown.
B.11	Working capital	Not applicable; the Company is of the opinion that, after taking into account available bank and other facilities and the Net Proceeds to be received by the Company, the Terrace Hill Group has sufficient working capital for its present requirements, that is, for at least 12 months from the date of publication of this document.

Section C – Securities

C.1	Type and class of securities being offered	Ordinary Shares with ISIN GB00BKT04W07 will be offered in connection with the Placing and will be admitted to trading on the London Stock Exchange's Main Market for listed securities.
C.2	Currency of the securities issue	The Existing Ordinary Shares are, and the New Ordinary Shares will be, denominated in pounds sterling.
C.3	Number of shares issued	As at the Latest Practicable Date, the Company has 211,971,299 fully paid ordinary shares of two pence each in issue which, assuming the Share Consolidation is approved by Shareholders, at the General Meeting will (subject to fractions) become 21,197,129 ordinary shares of 20 pence each. The Company has no partly paid ordinary shares in issue.
C.4	Description of the rights attaching to the securities	Each New Ordinary Share will rank <i>pari passu</i> in all respects with each Ordinary Share, and will have the same rights and restrictions as each Ordinary Share.
C.5	Restrictions on the free transferability of the securities	Save for article 38 of the Existing Articles, there are no restrictions on the free transferability in relation to the New Ordinary Shares or Ordinary Shares.

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
C.6	Admission	Application will be made to the FCA for the admission of the Enlarged Share Capital to the standard listing segment of the Official List and to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 22 May 2014. The Company has submitted a request to the London Stock Exchange for the cancellation of the trading of the Existing Ordinary Shares on AIM and it is anticipated that such cancellation will occur simultaneously with Admission to the Official List.
C.7	Dividend policy	The Enlarged Board intends to adopt a progressive dividend policy taking into account the Enlarged Group's expected earnings and future expansion plans, and will target a first dividend after a full year of trading, being the year ending 30 September 2015, of approximately one per cent. of the Placing Price. ⁽¹⁾ Neither Terrace Hill nor Urban&Civic has issued a cash dividend to its respective shareholders in the periods covered by its respective audited consolidated historical financial information set out in this document.

Section D – Risks

D.1	Key information on the key risks that are specific to the issuer or its industry	<p>The Company believes that the following are key risks affecting the Enlarged Group and its business:</p> <ul style="list-style-type: none"> ● The Enlarged Group's development programme will require the Enlarged Group to assess each development opportunity. Inaccurate assessment of a development opportunity or a decrease in demand due to competition from other real estate properties or adverse market conditions, could result in a substantial proportion of a development remaining undeveloped or vacant and exert pressure on the Enlarged Group to reduce sale prices for buyers or provide rental incentives to tenants. ● The Enlarged Group will depend on skilled third party contractors for the timely construction of its developments. The process of construction may be delayed or disrupted by a number of factors, such as inclement weather or acts of nature, industrial accidents and defective building methods or materials. Any of these factors, alone or in combination, could delay or disrupt the construction process by halting the construction process or damaging materials or the development itself. ● The Enlarged Group will carry out developments, such as Alconbury Weald and Rugby, which will have a significant amount of residential housing. If there is a decline in the housing market or in the availability of mortgage finance, the Enlarged Group may not be able to sell sufficient plots or dwellings to recycle capital to carry out further development or may not be able to sell plots or dwellings profitably. In addition, the Enlarged Group's decision to pursue such development may not deliver the expected returns or fail to meet value expectations because of the Enlarged Group's failure to anticipate the market cycle correctly.
------------	--	--

⁽¹⁾ This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all.

Element	Disclosure requirement	Disclosure
		<ul style="list-style-type: none"> ● The valuation of property is inherently subjective due to the individual nature of each property. There are particular complexities associated with the valuation of development properties, particularly where they comprise interests in complex strategic residential land developments, such as Alconbury Weald and Rugby. As a result, valuations are subject to a degree of uncertainty. There is no assurance that the valuations of the Enlarged Group's properties will be reflected in actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable. ● The Enlarged Group's success depends to a significant degree upon the efforts and abilities of certain key people, including the executive directors of the Enlarged Board, being Nigel Hugill, Robin Butler, Phillip Leech and Jon Austen. In addition, the Enlarged Group benefits from the extensive contacts of management, who collectively possess an extensive knowledge of the workings of property development in the United Kingdom and the internal procedures and functions of certain governmental authorities. The loss of the services of members of management could materially adversely affect the Enlarged Group's business prospects and results of operations. ● The Enlarged Group's continued progress with its projects for future delivery is dependent on the continued success of its applications for planning permission. Current or future planning applications may not result in full planning permission and planning permissions, if granted, may be on unduly onerous terms or the subject of delay. Failure to obtain such permissions may reduce the speed at which the Enlarged Group can implement its strategy. ● There is a risk that if national or local planning policy changes and becomes more restrictive, for example, by increasing the level of affordable housing required, there may be an impact upon the development opportunities for the Enlarged Group's existing and future landbank, the profitability of such schemes and/or upon the Enlarged Group's ability to obtain planning permissions in the timescales required. ● The real estate market in the UK is affected by many factors that are beyond the Enlarged Group's control, such as general economic conditions, availability of financing, interest rates and other factors, including investor/buyer supply and demand. Real estate assets are relatively illiquid and more difficult to realise than equities or bonds. The Enlarged Group cannot predict whether it will be able to sell any real estate investment for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Enlarged Group cannot also predict the length of time needed to find a willing purchaser and to complete any sale. ● Following the Acquisition, GIP U&C will own approximately 28.9 per cent. of the Enlarged Share Capital. GIP U&C may be in a position to exert significant influence on the Enlarged Group. Under the terms of the Relationship Agreement, GIP U&C has the right to nominate one non-executive director to the Board. In addition, GIP U&C could have the ability to influence the outcome of matters requiring Shareholder approval, including appointments to the Board and significant corporate transactions, such as an acquisition or other change of control of the Enlarged Group. The interests of GIP U&C may be different from the interests of the Enlarged Group or other Shareholders.

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
D.3	Key information on the key risks specific to the securities	<ul style="list-style-type: none"> ● The Company will, after Admission, have a standard listing pursuant to Chapter 14 of the Listing Rules which affords Shareholders a lower level of protection than a premium listing. The Company has already put in place procedures to enable it to comply on a voluntary basis with the provisions of Chapters 7 to 13 of the Listing Rules notwithstanding that (with the exception of certain provisions of Chapter 9) they only apply to companies which obtain a premium listing on the Official List. The UK Listing Authority will not have the authority to monitor (and will not monitor) the Company's voluntary compliance with any of the Listing Rules with which the Company has indicated above that it intends to comply. ● The Company's ability to pay dividends on Ordinary Shares will depend on the availability of funds and distributable reserves. ● Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, as well as stock market fluctuations and general economic conditions or changes in political sentiment, that may adversely affect the market price of the Ordinary Shares regardless of the Enlarged Group's actual performance or condition in its key markets. ● The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial amounts of Ordinary Shares in the public market following Admission, or the perception that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate.

Section E – Placing

E.1	Net proceeds and costs of the Placing	The Company wishes to raise £170 million of gross proceeds by issuing 75,555,556 Placing Shares at the Placing Price pursuant to the Placing. Assuming that the Placing is fully subscribed following completion of the bookbuilding process, the Net Proceeds are expected to be approximately £161.2 million, after estimated expenses of £8.8 million.
E.2a	Reason for placing and use of proceeds	<p>The Placing is being made in order to raise funds for the purpose of delivering the strategy of the Enlarged Group: to secure and deliver profitably major strategic land holdings and commercial developments with the objectives of achieving a solid balance sheet, NAV growth and profits in order to pay a progressive dividend to Shareholders.</p> <p>Subject to the Placing becoming unconditional, the Net Proceeds will be used as follows:</p> <ul style="list-style-type: none"> (a) £50 million to develop further the sites at Alconbury Weald and Rugby; (b) £30 million for current commercial developments; and (c) the balance to purchase and develop pipeline opportunities.
E.3	Terms and conditions of the Placing	All Ordinary Shares subject to the Placing will be issued at the Placing Price, which was determined by the Joint Bookrunners after consultation with the Company and the Principal Shareholders. The Company is offering 75,555,556 Placing Shares at the Placing Price pursuant to the Placing. The bookbuilding for the Placing opened at 8.00 a.m. on 28 April 2014 and will close on or before 2.00 p.m. on 30 April 2014. The Placing is open to invited institutional investors only. The results of the Placing are expected to be announced at or before 7.00 a.m. on 1 May 2014.

Element	Disclosure requirement	Disclosure																				
		<p>The Company's obligation to issue the Placing Shares is conditional upon:</p> <ul style="list-style-type: none"> (a) the Resolution being duly passed without amendment; (b) the Acquisition Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; (c) the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; (d) the execution of the Placing Memorandum; (e) the Placing Memorandum including a number of Placing Shares sufficient to raise not less than £170 million of gross proceeds for the Company in the Placing following completion of the bookbuilding process; and (f) Admission taking place on 22 May 2014 or such later date as the Joint Bookrunners, the Company, the Principal Shareholders and the Enlarged Board may agree not being later than 31 May 2014. <p>Under the Placing, the Ordinary Shares are being made available (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States in reliance on Regulation S and (ii) in the United States, only to persons reasonably believed to be QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.</p> <p>In addition, the Company is proposing to offer Ordinary Shares up to an aggregate subscription amount of €5 million at the Placing Price to certain employees of the Enlarged Group (being fewer than 150 persons in total) ("Employee Offer"). The Employee Offer is not part of the Placing and is not being underwritten.</p> <p>Members of the Enlarged Board intend to subscribe for an aggregate amount of approximately £3.6 million in the Placing or the Employee Offer as follows:</p> <table border="0" data-bbox="528 1368 1289 1525"> <tbody> <tr> <td>Robert Adair</td> <td>£640,000</td> <td>Nigel Hugill</td> <td>£250,000</td> </tr> <tr> <td>Philip Leech</td> <td>£500,000</td> <td>Robin Butler</td> <td>£250,000</td> </tr> <tr> <td>Jon Austen</td> <td>£300,000</td> <td>June Barnes</td> <td>£10,000</td> </tr> <tr> <td>Robert Dyson</td> <td>£250,000</td> <td>Alan Dickinson</td> <td>£200,000</td> </tr> <tr> <td></td> <td></td> <td>Duncan Hunter</td> <td>£1,237,500</td> </tr> </tbody> </table> <p>It is expected that Admission will take place and dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 22 May 2014. The above dates and times may be changed without further notice.</p> <p>The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature, including Admission becoming effective by no later than 8.00 a.m. on 22 May 2014 and on the Placing Agreement not having been terminated prior to Admission.</p> <p>None of the Placing Shares may be offered for subscription or be subscribed or delivered, and this document and any other offering material in relation to the Ordinary Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration, other than the United Kingdom.</p>	Robert Adair	£640,000	Nigel Hugill	£250,000	Philip Leech	£500,000	Robin Butler	£250,000	Jon Austen	£300,000	June Barnes	£10,000	Robert Dyson	£250,000	Alan Dickinson	£200,000			Duncan Hunter	£1,237,500
Robert Adair	£640,000	Nigel Hugill	£250,000																			
Philip Leech	£500,000	Robin Butler	£250,000																			
Jon Austen	£300,000	June Barnes	£10,000																			
Robert Dyson	£250,000	Alan Dickinson	£200,000																			
		Duncan Hunter	£1,237,500																			

<i>Element</i>	<i>Disclosure requirement</i>	<i>Disclosure</i>
		<p>Investors agreeing to subscribe for Placing Shares agree with the Company to be bound by certain terms and conditions upon which Ordinary Shares will be issued in the Placing.</p> <p>Upon being allocated Ordinary Shares pursuant to the Placing, each investor agrees to become a member of the Company, to acquire the Ordinary Shares allocated to it at the Placing Price and to pay the Placing Price for the Ordinary Shares allocated to it. If an investor fails to pay as required, the relevant investor will remain liable to pay such amount and will be deemed to have appointed the Joint Bookrunners to sell any or all of the Ordinary Shares allocated to it at such price as the Joint Bookrunners may achieve subsequent to any such failure to pay.</p> <p>Under the terms and conditions of the Placing, each investor makes certain representations, warranties and acknowledgements to the Company and the Joint Bookrunners customary for an offer of this type, including but not limited to: (i) in relation to certain characteristics of the investor; (ii) the investor's compliance with restrictions contained in the Placing and with specified laws and regulations; (iii) reliance, responsibility and liability in respect of this document, the Placing and information outside of this document; (iv) compliance with laws; (v) jurisdiction; and (vi) liability for duties or taxes.</p> <p>The terms and conditions also provide for the following issues: the investor being bound by the New Articles upon issue of Ordinary Shares; the application of English law to the contract to subscribe for Ordinary Shares; and joint agreements to subscribe for Ordinary Shares.</p>
E.4	Material interests	The Company considers that GIP U&C has an interest that is material to the Placing by virtue of the size of its shareholding in the Company on Admission. The Company does not consider that this is a conflicting interest, or that there are any other interests, including conflicts of interest, that are material to the Placing.
E.5	Name of person selling Securities/lock up agreements	Not applicable; no Shareholders are offering to sell Ordinary Shares pursuant to the Placing.
E.6	Dilution	Following the issue of the Consideration Shares to be allotted pursuant to the Acquisition and the Placing Shares to be allotted pursuant to the Placing, Shareholders will suffer a dilution of up to 84.8 per cent. to their interests in the Company.
E.7	Expenses charged to the investor	Not applicable; no expenses are being directly charged to the investor by the Company in connection with the Placing or the Admission to the Official List.

PART 2

RISK FACTORS

Any investment in the Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should carefully consider the factors and risks attaching to an investment in the Ordinary Shares, together with all other information contained in this document including, in particular, the risk factors described below. Some of these risk factors apply to carrying on the Enlarged Group's business generally, while others are specific to the Enlarged Group. Additional risks and uncertainties currently unknown to the Company, or that it currently believes to be immaterial for taking investment decisions, may also have an adverse (or materially adverse) effect on the Enlarged Group's business. If any of the following risk factors materialise, the Enlarged Group's business prospects and results of operations could be materially adversely affected. In such case, the trading price of the Ordinary Shares may decline and potential investors may lose all or part of their value. An investment in Ordinary Shares is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Accordingly, prospective investors are recommended to obtain independent financial advice from an adviser authorised under FSMA (or another appropriately authorised independent professional adviser) who specialises in advising upon investments. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information in this document and their personal circumstances.

Nothing in the risk factors outlined in this section is intended to qualify the statement made in respect of the Enlarged Group's working capital statement in paragraph 10 of Part 20 of this document.

1. RISKS RELATING TO THE ENLARGED GROUP AND ITS BUSINESS

There are commercial risks associated with real estate development

The Enlarged Group's development programme will require the Enlarged Group to assess each development opportunity, including the return on investment, transport and other infrastructure attributes of the location, the quality of the specification, the configuration and the flexibility of accommodation and the timing and delivery of the completed property. Speculative developments involve a greater degree of risk than developments that are pre-let. Inaccurate assessment of a development opportunity or a decrease in demand due to competition from other real estate properties or adverse market conditions could result in a substantial proportion of a development remaining undeveloped or vacant and exert pressure on the Enlarged Group to reduce sale prices for buyers or provide rental incentives to tenants. Such underdevelopment, vacancies, rental incentives and reduced prices would affect the level of income obtained, the amount of realised sales proceeds and the value of the development property, all of which could have a material adverse effect on the Enlarged Group's business prospects and results of operations.

Construction of the Enlarged Group's developments may be subject to delays or disruptions that are outside of the Enlarged Group's control

The Enlarged Group will depend on skilled third party contractors for the timely construction of its developments in accordance with applicable standards of quality and safety. In particular, the Enlarged Group intends to seek two or three development partners for its sites at Alconbury Weald and Rugby. The process of construction may be delayed or disrupted by a number of factors, such as inclement weather or acts of nature, industrial accidents and defective building methods or materials. Any of these factors, alone or in combination, could delay or disrupt the construction process by halting the construction process or damaging materials or the development itself. In addition, the costs of construction depend primarily on the costs of materials and labour, which may be subject to significant unforeseen increases. Although the Enlarged Group principally uses fixed price construction contracts, these are based on a detailed scope of works and if the scope is changed, the Enlarged Group may face additional costs.

In the event that a contractor or development partner fails to deliver and/or ceases to be financially viable, the timetable of the relevant development or scheme may be delayed, the Enlarged Group may need to provide additional resources to the development (financial or otherwise) and/or may incur financial liabilities.

The Enlarged Group is also reliant on certain infrastructure projects being delivered by third parties that it is unable to control. The cost of delivery of these infrastructure projects could escalate materially.

Any of these factors could have a material adverse effect on the Enlarged Group's business prospects and results of operations.

The Enlarged Group's development projects will be subject to the hazards and risks normally associated with the construction and development of residential and commercial real estate

The Enlarged Group's development projects will be subject to the hazards and risks normally associated with the construction and development of residential and commercial real estate, including unforeseen capital expenditure, personal injury and property damage. The Enlarged Group has approved health and safety policies and procedures applicable to all its locations. In addition, the Enlarged Group has public liability insurance in place, which the Enlarged Board considers provides an adequate level of protection against third party claims. Should an accident attract publicity or be of a size or nature that is not adequately covered by insurance, the Enlarged Group could face significant costs, and the Enlarged Group's ability to put in place public liability insurance cover in the future may also be adversely affected.

The occurrence of any of these events could result in significant increased operating costs, reputational damage, fines, legal fees, or criminal prosecution of the companies within the Enlarged Group, and their directors or management, all of which could have a material adverse effect on the Enlarged Group's business prospects and results of operations.

The Enlarged Group will have significant exposure to the residential housing market

The Enlarged Group will carry out developments, such as Alconbury Weald and Rugby, which will include a significant amount of residential housing. If there is a decline in the housing market or in the availability of mortgage finance, the Enlarged Group may not be able to sell sufficient plots or dwellings to recycle capital to carry out further development or may not be able to sell plots or dwellings profitably. This could have a material adverse effect on the Enlarged Group's business prospects and results of operations.

In addition, the Enlarged Group's decision to pursue such developments may not deliver the expected returns or may fail to meet value expectations because of the Enlarged Group's failure to anticipate the market cycle correctly. Much of the Enlarged Group's strategy relies on entering the market at the right point in the cycle, where a small increase in house prices has a large effect on land prices. If the reverse happens and house prices fall, this could have a significant impact on the value of the Enlarged Group's land holdings. Carrying out developments, such as Alconbury Weald and Rugby, at the wrong point in the property cycle or in the wrong location could have a material adverse effect on the Enlarged Group's business prospects or results of operations.

Changes in general UK economic and property market conditions

Any future property market recession in the UK could materially adversely affect the value of the Enlarged Group's real estate assets. The market value of the Enlarged Group's real estate assets may be adversely affected by a number of the following factors:

- the overall economic conditions in the UK such as growth or contraction in gross domestic product, employment trends, consumer sentiment and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of commercial and residential space; and
- external factors including major world events such as war or acts of nature such as floods.

Significant reductions in the value of the Enlarged Group's real estate assets could have a material adverse effect on the business prospects and results of operations of the Enlarged Group.

Property valuation is inherently subjective and uncertain

The valuation of property is inherently subjective due to the individual nature of each property and the way such property may be valued. There are particular complexities associated with the valuation of development properties, particularly where they comprise interests in complex strategic residential land developments, such as Alconbury Weald and Rugby. As a result, valuations are subject to a degree of uncertainty. Moreover, property valuations are made on the basis of assumptions which may not prove to be accurate. These assumptions may include, but are not limited to, matters such as title, condition of

structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, property areas, statutory requirements and planning, leasing and other information, such as inflation rates for residential sales, construction cost, retail property sales, discount rates, infrastructure costs and site-wide costs. It should be noted that a variation in the underlying assumptions can lead to significant adjustments in the resulting valuation, which may provide excessive volatility in the Enlarged Group's financial performance.

In addition, the valuations speak only at their date. Incorrect assumptions or flawed assessments underlying the valuations could have an adverse effect on the Enlarged Group's business prospects and results of operations and could potentially inhibit its ability to realise a sale price that reflects the stated valuation. Further, if the Enlarged Group acquires properties based on inaccurate valuations, the Enlarged Group's net assets and results of operations may be materially adversely affected. There is no assurance that the valuations of the Enlarged Group's properties will be reflected in actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that estimated yield and annual rental income will prove to be attainable.

The Enlarged Group may fail to acquire its 50 per cent. interest in Rugby

The Enlarged Group's acquisition of Rugby is subject to the satisfaction (or waiver) of two outstanding conditions precedent which are set out in the Rugby Acquisition Agreement being: (i) completion of arrangements to revise the Strategic Management Agreement; and (ii) in respect of land comprising part of the site, classification of the consideration payable by SUE LP (which is the 50:50 joint venture vehicle owned by Urban&Civic and Aviva) to RRSLP as not being proceeds of sale which can be called upon by ProLogis as reimbursement of the cost of providing the strategic infrastructure works, pursuant to the Strategic Management Agreement. Although there can be no guarantee that Rugby will be acquired by the Enlarged Group, the Company expects completion will take place by late 2014 as the conditions precedent will either have been satisfied or can be waived at the election of Urban&Civic (through SUE LP). If the conditions have not been satisfied by 30 September 2014, then SUE LP may waive the conditions and in such circumstances SUE LP will rely on the terms of the Co-operation Agreement between SUE LP and RRSLP (who has a direct agreement with ProLogis) rather than having a direct relationship with ProLogis in both cases regarding the infrastructure works on the SUE site. This may result in SUE LP and the Enlarged Group experiencing an additional administrative burden and potential delays on implementing its plans for Rugby which could have a material adverse effect on the Enlarged Group's business prospects and results of operations. The Rugby Acquisition Agreement is subject to a longstop date of 31 March 2015, although this can be extended by the consent of both parties to the agreement. There can be no assurance that if the Enlarged Group elects not to acquire Rugby, it will find suitable alternative acquisitions at a similar price or at all. In addition, RRSLP (or SUE LP following completion of the Rugby Acquisition) has option agreements in place in respect of 145 acres of 1,170 acres in total at the SUE site (some of which are strategically important to the development of the site). The Enlarged Group is reliant on contractual counterparties complying with their obligations to transfer such land when the option agreements are exercised.

A small element of the SUE site (44 acres out of 1,170 acres in total) has yet to be acquired or be subject to a land option agreement. In the event that suitable commercial arrangements cannot be reached to acquire this element of the site, the number of housing units which could be delivered on the entire site will be reduced from 6,200 by approximately 300 units and the amount of employment land by three acres.

Key personnel and an ability to retain or replace such personnel

The Enlarged Group's success depends to a significant degree upon the efforts and abilities of certain key people, including the executive directors of the Enlarged Board, being Nigel Hugill, Robin Butler, Philip Leech and Jon Austen. In addition, the Enlarged Group benefits from the extensive contacts of management, who collectively possess an extensive knowledge of the workings of property development in the United Kingdom and the internal procedures and functions of certain governmental authorities. The Enlarged Group does not maintain key man life insurance with respect to any of its employees. The loss of the services of members of management could materially adversely affect the Enlarged Group's business prospects and results of operations.

In addition, the Enlarged Group's future success will depend, in part, on its ability to continue to attract, retain and motivate qualified personnel. The Enlarged Group can give no assurance that it will be able to attract and retain the key personnel that it will need to achieve its business objectives. If the Enlarged Group

is unable to retain key personnel, or attract new qualified personnel to support the growth of its business and implement its business strategy, or if it is required to offer significantly higher compensation to attract and retain key personnel, the Enlarged Group could experience a material adverse effect on its business prospects and results of operations.

Planning risk and changes in law, government regulations and major policy shifts

The Enlarged Group's continued progress with its projects for future delivery is dependent on the continued success of its applications for planning permission. Current or future planning applications may not result in full planning permission and planning permissions, if granted, may be on unduly onerous terms or the subject of delay. In addition, the grant of a planning permission is subject to challenge by way of judicial review. In the event that planning applications for the Enlarged Group's development projects are unsuccessful or are granted subject to constraints or conditions which the Enlarged Group regards as unacceptable or onerous (and which the Enlarged Group is unsuccessful, or concludes it is unlikely to be successful, in removing), then the Enlarged Group may conclude that it is not likely to realise anticipated value from such development opportunities and, accordingly, may decide not to proceed with, or to defer, construction. Failure to obtain satisfactory or expected permissions may reduce the speed at which the Enlarged Group can implement its strategy, which may have a material adverse impact on the Enlarged Group's business prospects and results of operations.

For large scale sites such as Alconbury Weald and Rugby, the Enlarged Group will seek to obtain outline planning consent which is then subject to a series of further applications for reserved matters as the site is developed. With respect to further applications, whilst there is a clear presumption in favour of approval where the further application is consistent with the outline planning consent, there is no guarantee that approval will be obtained for each relevant application.

Resolutions to grant outline planning consent have been passed in respect of Alconbury Weald and Rugby although both sites do not yet have planning permission. The resolution is subject to various pre-conditions which must be satisfied before consent can be lawfully granted, including the negotiation of the Section 106 Agreements and then on-going approval of reserved matters by the relevant planning authority.

The key terms of the Section 106 Agreements in relation to both Alconbury Weald and Rugby (other than in relation to transportation arrangements relating to Alconbury Weald) have been agreed but the Section 106 Agreements have not been executed. Accordingly, there is a risk that the terms of the proposed Section 106 Agreements will be amended prior to the execution of those agreements in a way which is adverse to the interests of the Enlarged Group or that a delay in the signing of the Section 106 Agreements may cause delays to the developments.

Local planning authorities are under a continuing duty to have regard to material considerations up until the grant of planning permission. Accordingly, if there is a change in material considerations before the grant of consent, the application may have to be taken back to the approval committee for reconsideration.

Once a Section 106 Agreement has been finalised and signed, a six week judicial review period will be triggered. In the event of a judicial review application being made this could cause a material delay to the relevant development if the application was successful as a result of the planning permission being quashed and the matter being referred back to the decision maker with or without directions as to the scope of any future consent.

The Enlarged Group deals with the planning process on a day-to-day basis and has internal procedures and resources in place to deal with obtaining such permission. However, there is a risk that if national or local planning policy changes and becomes more restrictive, for example, by increasing the level of affordable housing required, there may be an impact upon the development opportunities for the Enlarged Group's existing and future landbank, the profitability of such schemes and/or upon the Enlarged Group's ability to obtain planning permissions in the timescales required. Conversely, if the planning regime was to be significantly liberalised, the Enlarged Group's competitive advantage may be eroded as its planning expertise may no longer be as important in obtaining relevant planning approvals.

Further, the Enlarged Group's development projects are contingent upon an effectively functioning planning system. Changes in law or policy affecting planning, infrastructure, pollution, health and safety or environmental (including waste disposal) issues could adversely affect the timing or costs associated with

development opportunities. In particular, national, regional and local planning policies and urban regeneration strategy and the use of brownfield and greenfield sites can have a significant impact upon the ability of the Enlarged Group (and other developers) to develop its schemes as planned or at all and/or may result in additional costs. In addition, new developments can also be subject to financial and other obligations for public improvements which can be substantial. Laws and regulations relating to the protection of the environment, for example, the requirement for the Enlarged Group to apply for a licence from Natural England to capture and clear newts at Rugby, and requirements for sustainable building can also cause delays and increased costs.

Legal and regulatory risks

The Enlarged Group is required to comply with a number of complex laws, regulations, administrative actions and policies which relate to, among other matters, planning and building, land use, fire, health and safety, environment, employment, tax and landlord/tenant matters. Additionally, these regulations often provide broad discretion to the administering authorities, which makes compliance more uncertain. Compliance with these laws and regulations may impose significant compliance costs and restrictions on the Enlarged Group. If the Enlarged Group fails to comply with these laws, regulations, administrative actions and policies, the Enlarged Group may have to pay penalties or private damages awards, the impact of which is not yet certain and may have a material impact on the Enlarged Group's business prospects and results of operations.

If these laws and regulations are changed, or new obligations imposed, property development and investment may become more difficult or costly and therefore have an adverse effect on the income from, and value of, any properties owned by the Enlarged Group, including those in which it holds an interest through joint ventures. Additionally, any new laws may be introduced, which may be retrospective and affect existing planning consents.

The Company is incorporated in Scotland. A referendum on Scotland's independence is expected to be held on 18 September 2014. Although the outcome of Scottish independence is uncertain, Scottish independence could affect Scotland's status in the EU and significantly impact the fiscal, monetary and regulatory environment applicable to Scottish companies. In addition, the Terrace Hill Group has one commercial development scheme and certain land interests in Scotland and may carry out further schemes in Scotland in the future. It is not possible to predict the manner and extent to which these factors may affect the Company, but if Scottish independence was to occur, it could have a material adverse effect on the Company's business prospects and results of operations.

Any property in the UK may at any time be compulsorily purchased by Government departments or local authorities

Any property or part of any property in the UK may, at any time, be compulsorily acquired by a Government department or local authority in connection with proposed redevelopment or infrastructure projects. For example, part of the Alconbury Weald site was the subject of a compulsory purchase order in 2003 in relation to the East Coast Mainline rail link, although this was not implemented and the deadline for implementation expired in 2009. If a compulsory purchase order were made in respect of a property or part of a property, compensation would be payable on the basis of the value of all owners' and tenants' proprietary interests in that property at the time of the purchase as determined by reference to a statutory compensation code, but the compensation could be less than the Enlarged Group's assessment of the property's current market value (or the relevant apportionment of such market value where only part of a property is subject to a compulsory purchase order). In the case of an acquisition of the whole or any part of that property, the relevant freehold, heritable or long leasehold estate and any lease would be acquired. If the amount received from the proceeds of purchase of the relevant freehold, heritable or long leasehold estate were less than the Enlarged Group's assessment of the property's current market value, the business prospects and results of operations of the Enlarged Group could be adversely affected.

There may be a delay between the compulsory purchase of a property or part of any property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of a property or part of any property of the Enlarged Group, the business prospects and results of operations of the Enlarged Group may be adversely affected. If only part of a property is compulsorily

purchased, the Enlarged Group's financial position and prospects could be materially adversely affected if such part was of strategic importance to an Enlarged Group development property or investment property.

Rental income and defaults

As part of its strategy, the Enlarged Group proposes to retain selected properties as investment properties for rent. In addition, part of the Alconbury site is currently let out to tenants. As the investment property portfolio grows in the next two to five years and beyond, the performance of the Enlarged Group would be adversely affected by a renewed downturn in the UK property market in terms of capital value or a weakening of rental yields. In the event of a default by a tenant or during any other void period, the Enlarged Group will suffer a rental shortfall and incur additional expenses until the property is re-let. These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurances, rates and marketing costs.

In addition, the market value of a property will often depend principally on the value of its leases. As a result, a drop in rental income or an increase in voids could have a material adverse impact on the value of the Enlarged Group's properties and on the financial position and prospects of the Enlarged Group.

Lack of demand for space from occupiers

The level of demand from occupiers for premises varies depending on a number of factors, including the availability and cost of land, materials or labour, general economic conditions, interest rates and the cost of credit.

In the event of non-renewal by tenants, in particular by one of the Enlarged Group's principal tenants, the Enlarged Group may be unable to find new tenants quickly or at all or at rents equal to those under the expiring leases or on equally or more favourable terms. Existing and potential tenants may seek to reduce their rental payments, reduce the length of time before they can break, increase their rent free periods or demand a higher grade of fit-out. While properties remain vacant, they may incur empty rates liabilities. Reduced occupancy rates, including those resulting in non-renewal, could result in a loss of rental income, void costs, an increase in bad debts, and a decrease in the value of the relevant properties.

In addition, the Enlarged Group is carrying out a number of foodstore and student accommodation developments, and if there were to be a decrease in demand for new foodstores or a decrease in student demand for accommodation, this could have a material adverse effect on the Enlarged Group.

Over-exposure to a single scheme or sector

Over-exposure to any one scheme or sector may adversely impact the Enlarged Group's business prospects or results of operations if that scheme terminates or ceases to be profitable or if that sector performs badly.

On Admission, the Enlarged Group will have a substantial development scheme (Alconbury Weald) which makes up a significant proportion of its assets (approximately 28.5 per cent.): if there were to be problems associated with this development, this could have a material adverse effect on the Enlarged Group.

In addition, the Enlarged Group has a specialism in developing foodstores for various retailers: if there was to be a significant reduction in retailer demand for additional foodstore developments, this could have a material adverse effect on the Enlarged Group.

There is no guarantee that the Enlarged Group will not increase its exposure to a single scheme, tenant or sector, and any lack of diversification in schemes or sectors will increase the Enlarged Group's risk of loss if there is a failure in one of these areas.

Operating costs may increase

The Enlarged Group may experience an increase in its operating expenses through factors including:

- increases in the cost of financing;
- increases in inflation;
- increases in the costs of services provided by third-party providers;

- increases in staff costs or payroll expenses;
- increases in taxes and other statutory changes;
- changes in laws, regulations or government policies that increase the costs of compliance;
- increases in insurance premiums;
- increases in infrastructure and construction costs or the costs of maintaining properties;
- defects affecting properties that need to be rectified, including unsuitable material at formation level that needs to be removed or replaced, or discovery of significant archaeological remains or ground water being encountered; and
- failure of sub-contractors leading to unforeseen costs.

These operating expenses, or other expenses, could increase without a corresponding increase in revenue or reimbursement of such expenses, which could have a material adverse effect on the Enlarged Group's business prospects or results of operations.

Inability to sell a real estate asset

The real estate market in the UK is affected by many factors that are beyond the Enlarged Group's control, such as general economic conditions, availability of financing, interest rates and other factors, including investor/buyer supply and demand. Real estate assets are relatively illiquid and more difficult to realise than equities or bonds.

The Enlarged Group cannot predict whether it will be able to sell any real estate asset or development for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to it. The Enlarged Group also cannot predict the length of time needed to find a willing purchaser and to complete any sale. As a consequence the Enlarged Group is subject to price risk resulting from this market illiquidity and may be required to sell assets at below their current carrying value in order to provide funding to cover operating costs and other capital commitments. In particular, the Enlarged Group will need to sell completed parts of the Alconbury Weald and Rugby developments and recycle the capital to fund further developments on both sites.

The Enlarged Group may be required to expend funds to correct defects or to make improvements before a real estate development can be sold. The Enlarged Group cannot be certain that it will have funds available to correct such defects or to make such improvements in the longer term. The inability to sell real estate assets could have a material adverse effect on the business prospects and results of operations of the Enlarged Group.

Availability of opportunities and ability to develop real estate projects

The availability of opportunities that meet the Enlarged Group's strategy will depend on the state of the economy and financial and real estate markets in the UK. Whilst the Enlarged Group has identified a number of pipeline opportunities, it may not be able to identify and execute potential projects in the longer term that are consistent with its strategy or that will allow it to deploy its available capital fully. The inability to find or agree terms of such development opportunities or deliver its strategy could have a materially adverse effect on the business prospects and results of operations of the Enlarged Group. In addition, there is no guarantee that the Enlarged Group will be able to secure any of its identified pipeline opportunities on suitable terms, if at all.

Competition with other participants in the real estate industry

The Enlarged Group faces competition from a wide spectrum of companies and institutions across its different business activities, including specialist quoted property companies, regional and national housebuilders, specialist private equity firms, small regional developers and large private property companies. Such competitors may have greater capital or other resources than the Enlarged Group, which also faces the threat of new competitors emerging.

Competition in the property market may lead to an oversupply of premises through overdevelopment, to prices for existing properties or land for development being inflated through competing bids by potential purchasers or to the maximum rents to be achieved from existing properties being adversely impacted by

an oversupply of commercial space. In particular, if the Enlarged Group seeks to carry out further commercial developments in Central London, there may be significant competition for such development opportunities and the Enlarged Group may not be able to acquire opportunities on satisfactory financial terms or at all. Accordingly, the existence of such competition may have a material adverse impact on the Enlarged Group's ability to secure occupiers for its properties at satisfactory rental rates and on a timely basis (and so impact sale values) and to acquire properties or develop land at satisfactory cost. The existence of such competition may also have an adverse impact on the Enlarged Group's ability to secure future joint venture partners and preferred developer appointments or the financing required for such schemes. This could have a material adverse effect on the business prospects and results of operations of the Enlarged Group.

Losses arising from uninsured events

The Enlarged Group does not have insurance coverage for certain types of catastrophic and other losses that are not insurable or for which economically reasonable insurance is not available. Additionally, there can be no guarantee that the Enlarged Group's current insurance coverage is sufficient to cover fully the types of losses that are insured, or that such coverage will not be cancelled or become unavailable on economically reasonable terms in the future. Any changes in insurance cost, availability or coverage could expose the Enlarged Group to uninsured losses. In the event that any of the real estate assets incurs a loss that is not fully covered by insurance, the value of the Enlarged Group's assets will be reduced by any such uninsured loss. In addition, the Enlarged Group may have no source of funding to repair or reconstruct the damaged asset and it cannot be certain that any such sources of funding will be available to it for such purposes in the future.

Discovery of previously undetected environmentally hazardous conditions

Under various UK environmental laws, a current or previous owner or operator of real property may be liable for the cost of removing or taking other remedial measures with regard to hazardous or toxic substances on such property (including Alconbury Weald, which was previously a military airfield and may, as a result, have unexploded ordnance and structures that will require environmental remediation and, in addition, may have historic contamination which is non-military in nature which may also require remediation). These costs may not be fully covered by insurance. The initial assessment of these costs (and the subsequent optimising of remediation solutions) is an integral part of the Enlarged Group's acquisition and post-acquisition procedures.

Such laws also generally require property owners or operators to conduct environmental evaluation of the land and property, and they are therefore generally considered to be responsible and liable for the presence of such hazardous or toxic substances. Environmental laws may also impose restrictions on the manner in which property may be used or the type of business and activity conducted on the same. A property owner who violates environmental laws may be subject to sanctions which are enforced by governmental agencies but which, in certain circumstances, may be initiated by private parties.

In connection with the acquisition and ownership of properties, the Enlarged Group may be exposed to costs described above. If the Enlarged Group owns or acquires contaminated land, it could also be liable to third parties for harm caused to them or their property as a result of the contamination, including where the contamination occurred prior to the acquisition of such land by the Enlarged Group. If the Enlarged Group is found to be in violation of environmental regulations, it could face reputational damage, regulatory compliance penalties, reduced letting income and reduced asset valuation.

Breach of financial covenants and availability of further funding

The Enlarged Group had bank debts pursuant to loan facilities of £32.3 million (on a pro forma basis assuming that the Acquisition had completed on 31 December 2013). These facilities contain interest cover ratio, loan to value ratio, net income ratio, tangible net worth and other financial covenants, which are tested on an annual, semi-annual or quarterly basis and limit the Enlarged Group's ability to incur debt, including debt on any assets it may purchase.

Should there be a future property market recession in the UK (of a similar nature to that experienced in the UK after the "credit crunch" in 2008) that causes a substantial fall in the underlying asset value of the Enlarged Group's investments, this could result in the long term in the Enlarged Group breaching the financial covenants contained in one or more of the Enlarged Group's loan facilities. A breach of financial covenants may require the Enlarged Group to repay such borrowings in whole or in part, together with any

attendant costs, including the costs of disposing of any assets comprised in the Enlarged Group's investment property portfolio (which may be at less than their market value or at a time and in circumstances where the realisation proceeds are reduced because of a downturn in property values generally or because there is limited time to market the property). A breach of financial covenants may also prevent the Enlarged Group from drawing down further funds or accelerate the Enlarged Group's obligation to repay other borrowings. Should any of these events occur then the Enlarged Group would need to use part of the Net Proceeds otherwise allocated to pipeline opportunities to meet its obligations under the loan facilities.

The Enlarged Group is exposed to risks associated with hedging certain of its floating rate borrowings

The Enlarged Group may seek to enter into hedging arrangements to protect against interest rate risk in the future. The use of instruments to hedge a loan carries certain risks, including that the hedge may not perform its intended purpose of offsetting losses caused by interest rate volatility, and in certain circumstances, could increase such losses.

Although the Enlarged Group will select the counterparties with which it enters into hedging arrangements with due skill and care, there will be residual risk that the counterparty may default on its obligations, which could have an adverse effect on the Enlarged Group's financial condition.

Lack of funds available on acceptable terms

Whilst the Enlarged Group is expected to have sufficient capital to develop its business in the next three years, the Enlarged Group's ability to deliver its strategy beyond that period is dependent, in part, on its ability to recycle existing capital through a continuing programme of asset disposals and, in part, on maintaining that capital and generating or obtaining new capital in the longer term. The ability to arrange such financing (or refinance the existing loan facilities) on commercially acceptable terms in the longer term will depend on prevailing capital market conditions as well as on the Enlarged Group's business or operating results. Recent financial market conditions have altered the nature and availability of bank lending for certain assets, including land, and in certain regions the costs of most types of lending have significantly increased.

In the long term, any inability to arrange debt funding or refinance the existing loan facilities on favourable terms may limit the scope of activities of the Enlarged Group, prevent the Enlarged Group from fully taking advantage of acquisition and other opportunities or have other negative consequences.

Risks associated with joint ventures

The Enlarged Group holds and may hold certain of its properties or investments through joint ventures. In particular, on completion of the Rugby Acquisition, the Enlarged Group will be in a 50:50 joint venture through SUE LP with Aviva to develop Rugby. Under such arrangements, the Enlarged Group is often required to share control and specified major decisions require the approval of the Enlarged Group's business partners, including decisions to sell, retain or develop assets. As a result, at a strategic level, the Enlarged Group may not exert control over these joint ventures, which means that the Enlarged Group's strategy and plans for a particular asset held by a joint venture may not be implemented. This lack of control may negatively impact the ability to take strategic decisions regarding the operation, management or sale of such assets, which may decrease the value of the assets held within the joint venture. The Enlarged Group receives fees from certain of its joint ventures: if the developments carried out by those joint ventures become uneconomic or there is a dispute with the relevant joint venture partner, these fees may be reduced or may not be received on a timely basis or at all.

The Enlarged Group's business partners may have economic or business interests that are inconsistent with the Enlarged Group's objectives or those business partners could face severe financial distress or become bankrupt, potentially leaving the Enlarged Group liable for their share of any liabilities relating to the investment or joint venture or otherwise prejudicing the investment or joint venture. Accordingly, the use of joint ventures could prevent the Enlarged Group from achieving its objectives and could limit its business opportunities and/or result in the loss of the Enlarged Group's investment.

Dissatisfaction from stakeholders and other factors which may affect the Enlarged Group's reputation

The Enlarged Group relies on its reputation with key stakeholders in order to operate its business effectively. For example, support from the public sector is essential in continuing to achieve detailed planning consents; and relationships with joint venture partners and other professional organisations are critical in the delivery of the Enlarged Group's business strategy. Failure to deliver on contractual obligations, fulfil expectations, meet development budgets, comply with regulatory requirements or maintain an exemplary health and safety record could adversely affect the Enlarged Group's reputation (which is key to attracting new business partners, investors and maintaining credibility with other key stakeholders). This could result in an adverse effect on the Enlarged Group's business prospects and results of operations.

The Enlarged Group has the potential to make a significant impact upon the environment and the communities in which it works. Any failure or perceived failure by the Enlarged Group or any of its employees and contractors to act ethically (for example, by engaging in disreputable business practices) may cause reputational damage to the Enlarged Group.

2. RISKS RELATING TO THE ACQUISITION

The Acquisition is subject to various conditions (including Shareholder approval) which may not be satisfied or waived

Completion of the Acquisition is subject to the certain conditions being satisfied (or, if permitted, waived), which in accordance with the Acquisition Agreement include:

- the Resolution being duly passed without amendment;
- the Acquisition Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission;
- the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission; and
- Admission taking place on 22 May 2014 or such later date as the Joint Bookrunners, the Company, the Principal Shareholders and the Enlarged Board may agree, not being later than 31 May 2014.

There is no guarantee that these (or other) conditions will be satisfied (or waived), in which case the Acquisition will not be completed. In particular, the Acquisition Agreement and the Placing Agreement are inter-conditional. If the Placing does not proceed because the Placing Agreement does not become unconditional, including if the Placing is not fully subscribed following completion of the bookbuilding process, the Acquisition will not proceed.

The remedies available to the Company under the Acquisition Agreement are limited

Under an agreement dated 28 April 2014 between the Sellers and the Company, the Company agreed to acquire from the Sellers the entire issued share capital of Urban&Civic together with all of the debt comprised in all its outstanding preferred equity certificates as at Completion (all of which are also held by the Sellers). The Acquisition Agreement provides for the issue of 43,084,456 Consideration Shares to the Sellers, valuing Urban&Civic at approximately £95.3 million on the basis of the middle market closing price of Ordinary Shares on the Latest Practicable Date (adjusted to reflect the Share Consolidation), a valuation based on the net asset value of Urban&Civic.

The Sellers have each provided warranties in respect of title to shares held by them in Urban&Civic and capacity to enter into the Acquisition Agreement. In addition, Nigel Hugill and Robin Butler have through the Placing and Sponsor's Agreement provided to the Company and the Joint Bookrunners certain limited business warranties in relation to the Urban&Civic Group, subject to a cap on liability of £1 million each. Because of the limited financial recourse under these warranties and the sharing of rights under them with the Joint Bookrunners, the Company will have very limited, if any, rights of redress against the Sellers should there prove to be any undisclosed liabilities or other matters adversely affecting the Urban&Civic Group (including the valuation of Alconbury Weald and Rugby) which the Company was not aware of at the time of entering into the Acquisition Agreement.

If the Acquisition completes, the integration of Urban&Civic could result in operating difficulties and other adverse consequences

The integration of Urban&Civic will involve the integration of operations, systems, personnel and cultures. There can be no assurance that the integration of Urban&Civic's operations, systems, personnel and culture will be effectively accomplished in a timely way, and it may result in the loss of key employees, including the Senior Managers, which would materially adversely effect the Enlarged Group's business prospects and results of operations.

GIP U&C will own a significant percentage of the Ordinary Shares following the Acquisition

Following the Acquisition, GIP U&C will own approximately 28.9 per cent. of the Enlarged Share Capital.

GIP U&C may be in a position to exert significant influence on the Enlarged Group. In addition, GIP U&C, under the terms of the Relationship Agreement, has the right to nominate a non-executive director to the Board. This right will continue for so long as GIP U&C (either itself or together with its Associates, if applicable) owns 10 per cent. or more of the issued ordinary share capital of the Company.

As a result of its level of shareholding in the Company following completion of the Acquisition, GIP U&C could have the ability to influence the outcome of matters requiring Shareholder approval, including appointments to the Board and significant corporate transactions, such as an acquisition or other change of control of the Enlarged Group. As GIP U&C will be interested in approximately 28.9 per cent. of the Enlarged Share Capital, it will be able (other than in respect of related party transactions requiring Shareholder approval pursuant to the Listing Rules) to vote down any special resolutions put to Shareholders, as it will hold sufficient Ordinary Shares to block any special resolution proposed by the Company. The interests of GIP U&C may be different from the interests of the Enlarged Group or other Shareholders.

3. RISKS RELATING TO THE ORDINARY SHARES

The Company will, after Admission, have a standard listing pursuant to Chapter 14 of the Listing Rules which affords a shareholder a lower level of protection than a premium listing.

Application will be made for the Ordinary Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings. The standard listing regime provides shareholders with a lower level of regulatory protection than that afforded to shareholders in companies with a premium listing on the Official List. The Company has already put in place procedures to enable it to comply on a voluntary basis with the provisions of Chapters 7 to 13 of the Listing Rules notwithstanding that (with the exception of certain provisions of Chapter 9) they only apply to companies which obtain a premium listing on the Official List. The Company is not, however, formally subject to such Listing Rules and will not be required to comply with them by the UK Listing Authority.

The UK Listing Authority will not have the authority to monitor (and will not monitor) the Company's voluntary compliance with any of the Listing Rules with which the Company has indicated above that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any breach of such requirements by the Company.

Fluctuations in price of Ordinary Shares

Following Admission, the trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part 2, as well as stock market fluctuations and general economic conditions or changes in political sentiment, which may adversely affect the market price of the Ordinary Shares regardless of the Enlarged Group's actual performance or condition in its key markets.

The market price of the Ordinary Shares may fluctuate significantly in response to a number of factors, some of which are beyond the Company's control. These may, without limitation, include variations in operating results in the Enlarged Group's reporting periods; changes in financial estimates by securities analysts; changes in market valuation of similar companies; announcements by the Enlarged Group of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments; additions or departures of key personnel; any shortfall in turnover or net profit or any increase in losses from levels expected by securities analysts; and future issues or sales of Ordinary Shares. Any or all of these events could result in a material decline in the price of the Ordinary Shares.

The Company will have a standard listing pursuant to Chapter 14 of the Listing Rules. It will not be eligible for FTSE Index inclusion.

The Company's ability to pay dividends on Ordinary Shares will depend on the availability of funds and distributable reserves

The Company's ability to pay dividends on Ordinary Shares will depend on the availability of funds and distributable reserves.

The Company intends to pay dividends to Shareholders, but it has no obligation to do so and there can be no assurance that the Company will be able to pay dividends in the future. All dividends and other distributions will be made at the discretion of the directors of the Company from time to time and will depend on the Enlarged Group's earnings, financial condition, level and rate of borrowings, legal and regulatory restrictions and such other factors as the directors of the Company from time to time deem relevant.

If greater amounts of funds than are currently anticipated are required for the purpose of the Enlarged Group's business, then fewer monies may be available to fund future dividend payments. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally in relation to yields on properties, interest costs and profits on sale of properties realised by its subsidiaries. In the event that the rental income of the property portfolio falls for whatever reason, including tenant defaults or property sales, the use of borrowings will increase the impact of such a fall on the Enlarged Group's net revenue and accordingly will have an adverse effect in the longer term on the Company's ability to pay dividends to Shareholders.

Ordinary Shares eligible for future sale

The Company cannot predict what effect, if any, future sales of Ordinary Shares, or the availability of Ordinary Shares for future sale, will have on the market price of Ordinary Shares. Sales of substantial amounts of Ordinary Shares in the public market following Admission, or the perception that such sales could occur, could adversely affect the market price of Ordinary Shares and may make it more difficult for investors to sell their Ordinary Shares at a time and price which they deem appropriate.

While certain holders of Ordinary Shares, including certain of the Directors, the Proposed Directors and GI Partners, have agreed to certain lock-up arrangements in respect of any Ordinary Shares held by them on Admission, a significant proportion of the Company's issued share capital will not be subject to lock-ups, and after these lock-up arrangements cease to apply there will be no contractual restriction on the sale of the Ordinary Shares owned by locked-up shareholders. Furthermore, the Joint Bookrunners may, in their sole discretion, and at any time or from time to time, without notice, release all or any portion of the Ordinary Shares subject to these lock-up arrangements.

Possible unavailability of pre-emption rights for overseas holders of Ordinary Shares

In the case of certain increases in the Company's issued share capital, holders of Ordinary Shares have the benefit of statutory pre-emption rights to subscribe for such shares, unless shareholders waive such rights by a resolution passed at a shareholders' meeting, or in certain other circumstances as stated in the Articles. United States and other overseas holders of shares are very likely to be excluded from exercising any such pre-emption rights they may have, unless a registration statement under the US Securities Act is effective with respect to those rights, or an exemption from the registration requirements under that Act is available. The Company is unlikely to file any such registration statement, and the Company cannot assure prospective investors that any exemption from those registration requirements would be available to enable United States or other overseas shareholders to exercise such pre-emption rights or, if available, that the Company will utilise any such exemption.

Effect of exchange rate fluctuations on the value of Ordinary Shares

The Ordinary Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Ordinary Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in foreign currency terms and any appreciation of pounds sterling will increase the value in foreign currency terms.

There is no public market for the Ordinary Shares in the United States or elsewhere outside the United Kingdom

There is currently no public market for the Ordinary Shares, including the New Ordinary Shares, in the United States or elsewhere outside the United Kingdom. The New Ordinary Shares have not been, and will not be, registered under the US Securities Act or any state securities laws of the United States and will be subject to significant restrictions on resale in the United States. The Company does not intend to apply for listing of the Ordinary Shares on a securities exchange in the United States or elsewhere outside the United Kingdom. As a consequence, an active trading market is not expected to develop for the Ordinary Shares outside the United Kingdom and investors outside the United Kingdom may not be able to sell the Ordinary Shares or achieve an acceptable price.

The Ordinary Shares are likely to be treated as stock of a passive foreign investment company (or "PFIC") for US federal income tax purposes, which could result in adverse US tax consequences to US investors

Based on the estimated composition of the income and value of the assets of the Enlarged Group, the Enlarged Group expects that for US federal income tax purposes, it is likely to be treated as a PFIC for its current US taxable year and possibly for future taxable years as well. However, the application of the PFIC rules is subject to ambiguity in several respects. If the Enlarged Group is treated as a PFIC for any taxable year during which a US investor held the Ordinary Shares, such US investor will be subject to a penalty tax at the time of their sale at a gain, or upon receipt of an "excess distribution" with respect to such Ordinary Shares, unless a "QEF election" or a "mark-to-market election" is available and a US investor makes such an election. In general, a US investor would receive an "excess distribution" if the amount of any distribution in respect of the Ordinary Shares is more than 125 per cent. of the average distributions made with respect to the Ordinary Shares within the three preceding taxable years (or shorter period in which such US investor held the Ordinary Shares). In general, the penalty tax is equivalent to an interest charge on US taxes that are deemed due during the period the US investor owned the Ordinary Shares, computed by assuming that the gain (in the case of a sale) or the "excess distribution" in respect of the Ordinary Shares was taxed in equal portions at the highest applicable tax rate throughout the US investor's period of ownership. A "QEF election", if available to and made by a US investor, generally would result in such US investor being subject to US federal income tax each year on such US investor's share of the Enlarged Group's ordinary earnings and net capital gains, whether or not such earnings or gains were distributed to such US investor. A "mark-to-market election", if available to and made by a US investor, generally would result in such US investor taking into account ordinary income or loss in respect of such US investor's investment in the Ordinary Shares by marking the Ordinary Shares to market on an annual basis. In addition, as a PFIC, dividends on the Ordinary Shares would not be eligible for the special tax rate available to non-corporate US investors applicable to "qualified dividend income". For more information on the US federal income tax consequences resulting from the Enlarged Group's classification as a PFIC for US federal income tax purposes, please see paragraph 17.2 of Part 20 this document.

PART 3

IMPORTANT INFORMATION

1. Consequences of a standard listing

Application will be made for the Existing Ordinary Shares, the Consideration Shares, the Placing Shares and the Employee Shares to be admitted, to the Official List pursuant to Chapter 14 of the Listing Rules which sets out the requirements for standard listings. The Company intends to comply with the Listing Principles set out in Chapter 7 of the Listing Rules, notwithstanding that they only apply to companies which obtain a premium listing on the Official List. The Company will not, however, be formally subject to such Listing Principles and will not be required to comply with them by the UK Listing Authority.

In addition, as a company with a standard listing, the Company will not be required to comply with the provisions of, amongst other things:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not appointed and does not intend to appoint such a sponsor in connection with the Acquisition or Admission;
- Chapter 10 of the Listing Rules relating to significant transactions. Nonetheless, the Company has adopted a significant transactions policy consistent with the provisions of Chapter 10 of the Listing Rules, under which any transaction which the Board determines would be a transaction within the meaning of Chapter 10 of the Listing Rules will require Shareholder approval prior to being implemented where a relevant percentage ratio (within the meaning of the Listing Rules) is more than 25 per cent.;
- Chapter 11 of the Listing Rules regarding related party transactions. Nonetheless, the Company has adopted a related party transactions policy consistent with the provisions of Chapter 11 of the Listing Rules;
- Chapter 12 of the Listing Rules regarding purchases by the Company of Ordinary Shares. Nonetheless, shareholder authority is required in order for a company to buy back its shares under English law and the Company will adopt a policy consistent with the provisions of Listing Rules 12.4.1, 12.4.2 and 12.4.2A, whereby: (i) unless a tender offer is made to all holders of Ordinary Shares, the maximum price to be paid per Ordinary Share pursuant to any such purchase must not be more than the higher of: (a) 105 per cent. of the average of the middle market quotations for a Ordinary Share taken from the London Stock Exchange's main market for listed securities for the five business days before the purchase is made; and (b) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase; (ii) any purchase by the Company of 15 per cent. or more of the Ordinary Shares (excluding Ordinary Shares held in treasury) pursuant to a general authority by Shareholders will be effected by way of a tender offer to all Shareholders; and (iii) any purchase by the Company of 15 per cent. or more of the Ordinary Shares will only be effected otherwise than by way of a tender offer if the full terms of the share buy-back have been specifically approved by Shareholders; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders. However, the Company intends to comply with the provisions of Chapter 13 of the Listing Rules on a voluntary basis.

Following Admission it is the Company's intention to explore with the UK Listing Authority the possibility of transitioning from a standard listing to a premium listing on the Official List at an appropriate point in the future, subject to meeting the eligibility criteria. If such a transition were possible (and there can be no guarantee that it would be) and the Company moved to a premium listing, the various Listing Rules highlighted above as rules with which the Company is not required to comply would become mandatory.

It should be noted that the UK Listing Authority will not have the authority to monitor (and will not monitor) the Company's voluntary compliance with any of the Listing Rules with which the

Company has indicated above that it intends to comply on a voluntary basis, nor to impose sanctions in respect of any breach of such requirements by the Company.

2. Presentation of financial information

The Company publishes its financial statements in pounds sterling (“£” or “sterling”). The abbreviation “£m” or “£ million” represents millions of pounds sterling, and references to “pence” and “p” represent pence in the UK.

The financial and other numerical information presented in a number of tables in this document has been rounded to the nearest whole number or the nearest decimal place. Therefore, the sum of the numbers in a column may not conform exactly to the total figure given for that column and may vary slightly from the exact arithmetic aggregation of the figures that precede them. In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not conform exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

Parts of this document include references to “revenue profit”, “EPRA NAV”, “EPRA NAV per share” and “EPRA Triple NAV” and other adjusted net asset-based statistics. There are no generally accepted accounting principles governing the definition or calculation of these terms, and as adjusted measures, the criteria upon which they are based can vary from company to company.

These measures, by themselves, do not provide a sufficient basis to compare the Terrace Hill Group’s performance and financial position with those of other companies and should not be considered in isolation, as a substitute for revenue from properties, profit before tax, net assets or any other performance measure derived in accordance with IFRS or as an alternative to cash flow from operations as a measure of liquidity. These adjusted measures have been presented in this document because they are used by the Terrace Hill Group in managing the Terrace Hill Group’s business and to enable a more complete analysis of the Terrace Hill Group’s operating performance and financial position. For more information, see paragraph 2.6 (Adjusted financial information) in Part 15 of this document.

When used in this document, “GDV” or “gross development value” is calculated based on whether the property relates to commercial or residential. In relation to commercial developments, GDV means the estimated or agreed rent roll for a development divided by the estimated capitalisation yield. The capitalisation yield is the return that an investor is estimated to require for the particular development, taking into account the covenant strength of the lessee(s), the term certain of the income, the type and location of the development and the level of returns available from comparable investments. In relation to residential developments, GDV means the estimated value that a property of a similar type would sell on the open market. As a result, for the Enlarged Group, GDV may be calculated differently depending upon the nature of the property. The Enlarged Group uses management’s estimates to determine GDV.

3. International Financial Reporting Standards

As required by the Act and Article 4 of the European Union IAS Regulation, the consolidated financial statements of the Terrace Hill Group and the Urban&Civic Group are prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union.

4. Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Enlarged Group’s and/or the Directors’ and the Proposed Directors’ intentions, beliefs or current expectations concerning, among other things, the Enlarged Group’s results, operations, financial condition, prospects, growth strategies and the markets in which the Enlarged Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and

circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, the market position of the Enlarged Group, earnings, financial position, return on capital, anticipated investments and capital expenditure, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the events described herein and the Enlarged Group. Forward-looking statements contained in this document based on these trends or activities should not be taken as a representation that such trends or activities will continue in the future.

These forward-looking statements are further qualified by risk factors disclosed in this document that could cause actual results to differ materially from those in the forward-looking statements. See Part 2 of this document entitled "Risk Factors".

These forward-looking statements speak only as at the date of this document. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, the Company and/or the Directors and the Proposed Directors, do not have any obligation to update or revise publicly any forward-looking statement, whether as a result of new information, further events or otherwise. Except as required by the Listing Rules, the Disclosure and Transparency Rules, the Prospectus Rules and any applicable law, the Company, the Directors and the Proposed Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's and/or the Directors' and the Proposed Directors' expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Investors and Shareholders should note that the contents of these paragraphs relating to forward looking statements are not intended to qualify the statements made as to the sufficiency of working capital in this document.

5. Market, economic and industry data

Market, economic and industry data used throughout this document is derived from various industry and other independent sources. The Company, the Directors and the Proposed Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

6. Incorporation of information by reference

The contents of the websites of the Company and Urban&Civic (including any materials which are hyper-linked to such websites) do not form part of this document and prospective investors should not rely on them.

7. Exchange rates

The Company publishes its financial statements in sterling.

The following tables show, for the periods indicated, the exchange rate between the U.S. dollar and sterling. This information is provided solely for prospective investors' information and the Company does not represent that sterling could be converted into U.S. dollars at these rates or at any other rate, during the periods indicated or at any other time. These rates are not the rates used by Terrace Hill and Urban&Civic in the preparation of their audited consolidated financial statements included in this document.

As used in this document, the term "Noon Buying Rate" refers to the rate of exchange for sterling, expressed in U.S. dollars per pound sterling, in the City of New York for cable transfers payable in foreign currencies as certified by the Federal Reserve Bank of New York for customs purposes. The Noon Buying Rate for sterling on 25 April 2014 was \$1.6801 = £1.00. The following tables describe, for the periods and dates indicated, information concerning the Noon Buying Rate for sterling. Amounts are expressed in U.S. dollars per £1.00.

<i>Annual Data</i> <i>(Year ended 31 December)</i>	<i>Period</i> <i>End (\$)</i>	<i>Average</i> <i>Rate (\$)*</i>	<i>High (\$)</i>	<i>Low (\$)</i>
2009	1.6170	1.5670	1.6989	1.3753
2010	1.5612	1.5458	1.6362	1.4334
2011	1.5543	1.6041	1.6707	1.5343
2012	1.6153	1.5852	1.6279	1.5318
2013	1.6557	1.5649	1.6557	1.4867

Source: Federal Reserve Bank of New York

* The average of the Noon Buying Rates for sterling on the last day reported of each month during the relevant period.

<i>Recent Monthly Data</i>	<i>High (\$)</i>	<i>Low (\$)</i>
October 2013	1.6236	1.5951
November 2013	1.6368	1.5905
December 2013	1.6557	1.6264
January 2014	1.6637	1.6354
February 2014	1.6747	1.6305
March 2014	1.6740	1.6486
April 2014 (through to the Latest Practicable Date)	1.6824	1.6575

8. Conversion rates

Measurements of area in this document have been expressed in square feet. One square foot is the equivalent of 0.09290304 square metres.

9. Latest Practicable Date

Unless otherwise indicated, the latest practicable date for the inclusion of information in this document is at close of business on 25 April 2014.

10. References to defined terms

Certain terms used in this document, including certain capitalised terms and other terms, are defined and explained in Parts 21 and 22 of this document on pages 259 to 266.

11. General notice

Nothing contained in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for prospective investors' information only and nothing in this document is intended to endorse or recommend a particular course of action. Prospective investors should consult with an appropriate professional adviser for specific advice rendered on the basis of their situation.

12. Historical share prices

The following table shows, for the periods indicated, the high and low market prices for the Ordinary Shares for the periods indicated. This information is provided solely for prospective investors' information.

	<u>High (pence)</u>	<u>Low (pence)</u>
Year ended 30 September 2009		
Annual	50.0	13.5
Year ended 30 September 2010		
Annual	25.0	16.0
Year ended 30 September 2011		
Annual	26.1	16.3
Year ended 30 September 2012		
First quarter	17.9	15.5
Second quarter	15.8	9.5
Third quarter.....	10.6	8.6
Fourth quarter	10.3	9.8
Year ended 30 September 2013		
First quarter	13.3	9.8
Second quarter	20.8	13.1
Third quarter.....	21.6	17.4
Fourth quarter	25.0	20.1
Recent months		
October 2013.....	27.8	22.0
November 2013	31.6	26.5
December 2013	35.8	22.1
January 2014	25.5	22.9
February 2014	24.1	22.9
March 2014	23.8	21.2
April 2014 (through to the Latest Practicable Date)	22.3	21.2

13. Terrace Hill EPRA Net Asset Value

The Terrace Hill Group considers EPRA NAV a key performance indicator, as it reflects the market value of its development properties. The Terrace Hill Group believes EPRA NAV is therefore a better indicator of the true value of the Terrace Hill Group than IFRS NAV, which values development properties at the lower of cost and net realisable value.

The Terrace Hill Group also presents EPRA Triple NAV, which takes into account any tax payable on profits arising if all of Terrace Hill Group's properties were sold at the values used for EPRA NAV and the write off of goodwill.

Both EPRA NAV measurements are presented below as unaudited information and are solely based on judgements made by management.

	<i>3 months</i>			
	<i>ended 31</i>			
	<i>December</i>	<i>Year ended 30 September</i>		
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
<i>(UNAUDITED)</i>	<i>(UNAUDITED)</i>	<i>(UNAUDITED)</i>	<i>(UNAUDITED)</i>	
<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Audited net asset value	52,119	55,549	50,213	48,134
Revaluation of property held as current assets	5,274	5,711	10,026	11,641
Shares to be issued under the Performance Share Plan	12	12	12	12
EPRA NAV ¹	57,405	61,272	60,251	59,787
% increase on prior period EPRA NAV	(6.3%)	1.7%	0.8%	(22.2%)
Goodwill	(2,365)	(2,365)	(3,188)	(3,336)
EPRA Triple NAV ²	55,040	58,907	57,063	56,451
% increase/(decrease) on prior period	(6.6%)	3.2%	1.1%	(23.2%)

¹ Terrace Hill's EPRA NAV increased by 1.7 per cent. in 2013, to £61.3 million (28.8 pence per share), from £60.3 million (28.3 pence per share) in 2012. Terrace Hill's IFRS NAV also increased by 10.6 per cent. in 2013, to £55.5 million (26.2 pence per share) from £50.2 million in 2012.

During 2013, the increase in Terrace Hill's EPRA NAV resulted principally from (i) an increase from operations; (ii) an increase resulting from the partial release of Terrace Hill's provision for financial guarantee for debts of an associate; (iii) a decrease resulting from movement in the value of Terrace Hill's development properties; (iv) a decrease arising from the movement in value and sales of Terrace Hill's residential investment properties; and (v) an increase in other movements including tax and share-based payments.

² EPRA Triple NAV, in addition to reflecting the write-off of goodwill, reflects any tax payable on profits arising if all Terrace Hill's properties were sold at the values used for EPRA NAV. No such tax was payable in any period shown.

Terrace Hill's EPRA Triple NAV, increased by 3.2 per cent. in 2013, to £58.9 million (27.7 pence per share), from £57.1 million (26.8 pence per share) in 2012.

PART 4

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2014

Publication of this document	28 April
Suspension of trading of the Existing Ordinary Shares on AIM	8.00 a.m. on 28 April
Latest time and date for receipt of indications of interest from institutional investors in the Placing	at or before 2.00 p.m. on 30 April
Publication of results of the Placing following completion of the bookbuilding process	at or before 7.00 a.m. on 1 May
General Meeting	9.00 a.m. on 14 May
Record date for the Share Consolidation	6.00 p.m. on 21 May
Completion of the Acquisition	8.00 a.m. on 22 May
Admission and commencement of dealings in the Enlarged Share Capital	8.00 a.m. on 22 May
Ordinary Shares to be issued in uncertificated form credited to stock accounts in CREST by ¹	22 May
Ordinary Share certificates despatched by ¹	29 May

Each of the times and dates in the above timetable is subject to change. All times are London times unless stated otherwise.

¹ Or as soon as practicable thereafter. No temporary documents of title will be issued.

PART 5
INDICATIVE STATISTICS*

Placing Price (per Consolidated Ordinary Share)	225 pence
Number of Existing Ordinary Shares in issue at the date of this document	211,971,299
Basis of Share Consolidation	1 new Consolidated Ordinary Share for every 10 Existing Ordinary Shares
Number of Consolidated Ordinary Shares in issue immediately following the Share Consolidation	21,197,129
Number of Consideration Shares	43,084,456
Number of Placing Shares comprised in the Placing ¹	75,555,556
Number of Consolidated Ordinary Shares in issue at Admission ¹	139,837,141
Estimated Net Proceeds receivable by the Company ¹²	£161.2 million
Percentage of the Enlarged Share Capital represented by the Consideration Shares ¹	30.8 per cent.
Percentage of the Enlarged Share Capital represented by the Placing Shares ¹	54.0 per cent.
Market capitalisation of the Company at the Placing Price on Admission ³	£314.6 million
ISIN number	GB00BKT04W07
SEDOL number	BK T04W0
New TIDM	UANC

¹ Assuming the Placing is fully subscribed at the Placing Price. The Placing, the Acquisition and Admission will not proceed if the Placing is not fully subscribed following the bookbuilding process.

² The Net Proceeds receivable by the Company are stated after deduction of estimated underwriting commissions and other fees and expenses of the Placing and the Acquisition payable by the Company, expected to be approximately £8.8 million.

³ The market capitalisation of the Company at any given time will depend on the market price of the Ordinary Shares at that time. There can be no assurance that the market price of an Ordinary Share will be equal to or exceed the Placing Price.

*These statistics do not include the Employee Shares as the number of Employee Shares is immaterial.

PART 6

DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	Robert Adair (<i>Executive Chairman and, from Admission, Deputy Chairman and Non-executive Director</i>) Philip Leech (<i>Chief Executive and, from Admission, Property Director</i>) Jon Austen (<i>Group Financial Director</i>) Robert Dyson (<i>Independent Non-executive Director</i>) Nick Gaskell* (<i>Non-executive Director</i>) Will Wyatt* (<i>Non-executive Director</i>) <i>whose business address is at:</i> 1 Portland Place London W1B 1PN
Proposed Directors**	Nigel Hugill (<i>Executive Chairman</i>) Robin Butler (<i>Managing Director</i>) June Barnes (<i>Independent Non-executive Director</i>) Alan Dickinson (<i>Senior Independent Non-executive Director</i>) Duncan Hunter (<i>Independent Non-executive Director</i>) Mark Tagliaferri (<i>Non-executive Director</i>) <i>whose business address from Admission will be at:</i> 1 Portland Place London W1B 1PN
Company Secretary	Jon Austen
Joint bookrunner	J.P. Morgan Securities plc 25 Bank Street London E14 5JP
Nominated adviser and joint bookrunner	Oriel Securities Limited 150 Cheapside London EC2V 6ET
Financial adviser to Terrace Hill in connection with the Acquisition	Ernst & Young LLP 1 More London Place London SE1 2AF
Financial adviser to Urban&Civic in connection with the Acquisition	J.P. Morgan Limited 25 Bank Street London E14 5JP

* Nick Gaskell and Will Wyatt will retire as Directors with effect from Admission.

** The Proposed Directors will become directors of the Company with effect from Admission.

Legal advisers to Terrace Hill as to English law	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Legal advisers to Urban&Civic as to English law	Nabarro LLP Lacon House 84 Theobald's Road London WC1X 8RW
Legal advisers to Terrace Hill as to US law	Proskauer Rose LLP Ten Bishops Square Ninth Floor London E1 6EG
Legal advisers to the Joint Bookrunners	Simmons & Simmons LLP CityPoint One Ropemaker Street London EC2Y 9SS
Reporting accountant and auditor to Terrace Hill	BDO LLP 55 Baker Street London W1U 7EU
Auditors to Urban&Civic	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Registrars	Share Registrars Limited Suite E First Floor 9 Lion & Lamb Yard Farnham Surrey GU9 7LL

PART 7

INFORMATION ON THE ENLARGED GROUP

1. INFORMATION ON THE ENLARGED GROUP

1.1 Introduction

The Enlarged Group will be formed by the combination of Urban&Civic and Terrace Hill and will focus on large scale strategic residential land holdings, and commercial development opportunities across Central London and the UK's regions. On Admission, the Company will be renamed Urban&Civic plc.

Urban&Civic is an unlisted property group founded in 2009 by Nigel Hugill and Robin Butler which aims to deliver strategic residential land developments in key growth areas of the UK. The Urban&Civic Group's management has considerable expertise in assembling large, complex developments and taking them through the planning process to successful delivery.

Terrace Hill is a UK property development group which was admitted to trading on AIM in 1995. The Terrace Hill Group's focus is on foodstores, Central London offices and regional commercial development in the office, retail, industrial, student accommodation and leisure sectors. It has offices in London, Teesside, Bristol, Manchester and Glasgow, providing it with a national presence combined with local knowledge.

1.2 Strategy

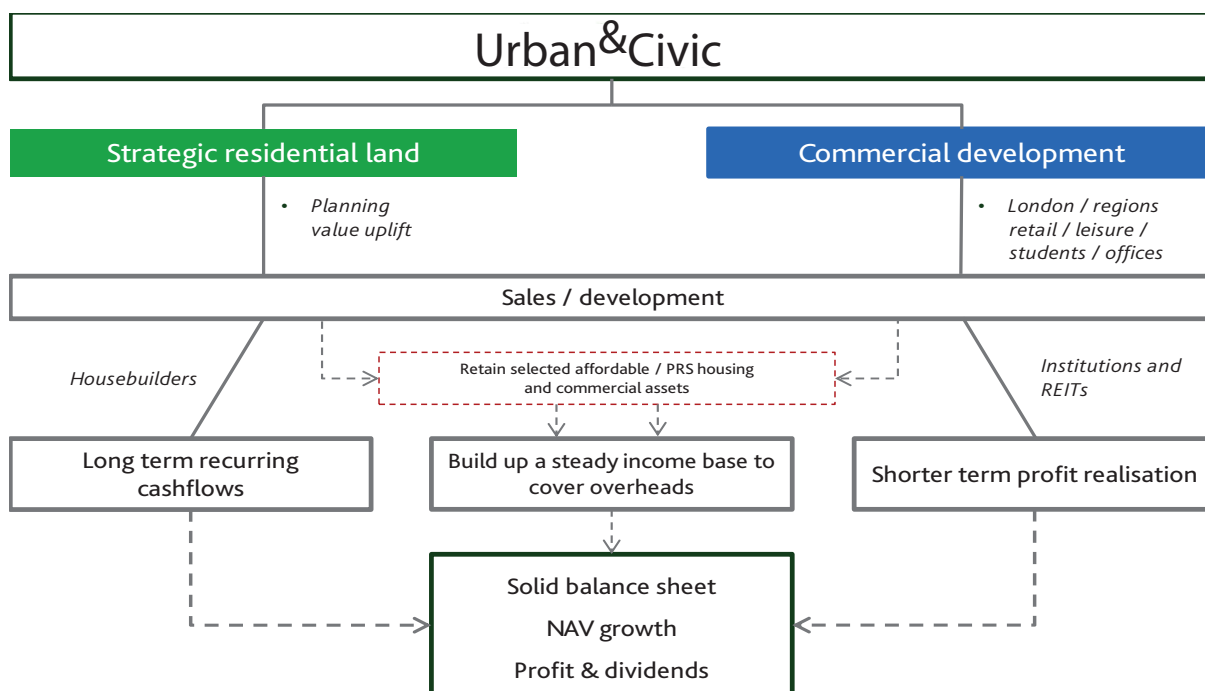
The Enlarged Group's strategy is to secure and profitably develop:

- large scale strategic residential land holdings in locations that benefit from strong transport links as well as robust local economies; and
- commercial development/trading opportunities across Central London and the UK's regions under the Terrace Hill brand with a focus on foodstore and leisure development.

The Enlarged Group intends to develop large scale strategic residential land holdings for the primary purpose of selling serviced land plots to companies in the housebuilding industry and may, in addition, construct and deliver for sale private residential housing units itself. Sales of these land plots and housing units are expected to generate recurring cashflows in the longer term.

A proportion of the Enlarged Group's commercial developments are expected to be sold to institutional investors and REITs. This may be by way of forward funding or sale upon completion, generating income in the shorter term.

The diagram below illustrates the Enlarged Group's strategy:



The Enlarged Group intends to retain from its development activity selected commercial assets, private rental sector housing and affordable housing in order to establish a regular income base to cover its overheads.

The Enlarged Board believes that execution of the above strategy will mean that the balance of assets held for income and for commercial development, as compared with strategic residential land, will vary over time but, overall, will enable the Enlarged Group to deliver its objectives of achieving a solid balance sheet, NAV growth and profits in order to pay a progressive dividend to Shareholders.

1.3 Principal activities

The Enlarged Group focusses on two principal areas of activity, being (i) large scale strategic residential land development (see paragraph 1.3.1 below) and (ii) commercial developments (see paragraph 1.3.2 below) across Central London and the UK's regions. The Enlarged Group brings together a management team with an outstanding track record with the intention of growing a new "Best in Class" UK real estate business.

The Enlarged Group has exceptional large scale planning expertise and in-house project management and delivery skills across a network of UK regional offices. The Enlarged Board believes that the combination of these complementary skill sets and two solid and established real estate companies will position the Enlarged Group to generate attractive shareholder returns from its targeted UK real estate sectors.

1.3.1 Strategic residential land development

Strategic land holdings derive their value from the promotion and investment in land in order to enable the realisation of enhanced future returns. A developer identifies land sites that have the potential to become future residential (or commercial) developments and once identified, negotiates with the existing landholders with a view to acquire the site. This may involve arrangements including option agreements, overage contracts or being nominated as preferred developer. The developer then commits resources to go through the planning process to achieve planning permission so that it can start development. For large scale sites, particularly ones with residential components, the planning process can be complex and can involve negotiations and consultations at both a local and national government level. These complexities require significant experience and knowledge in order to achieve the sought planning consents.

For residential sites, once planning consent has been obtained, the obligations under the Section 106 Agreement are satisfied and the landholdings undergo servicing to provide the infrastructure, such as roads and utilities, needed to allow development of housing directly on to pre-formatted plots. These housing plots can then be realised either through the build-out by the original landholder, or can be sold in blocks to regional and national housebuilders. In some instances, the actual delivery is brought about through a combination of the two approaches. The original landholder may build out the "first-phase" of the development in order to "place-make" or set the building standards for the remainder of the plots and to achieve critical mass to fix the value benchmark for the scheme. Once the housebuilders start the delivery against this benchmark, the value of the overall scheme should benefit.

The Enlarged Group is currently taking forward the planning on two large strategic residential land sites in Alconbury Weald, Cambridgeshire and Rugby, Warwickshire, both of which benefit from strong transport links.

Location plan: Alconbury Weald and Rugby



A substantial amount of all of the Enlarged Group's revenues from a strategic land site will derive from the sale of serviced land plots to housebuilders.

In line with the Enlarged Group's strategy, selected completed private sector and affordable housing units could be retained and rented to produce a recurring income stream. The Enlarged Group also has the option to increase development returns through the build-out of selected commercial elements of a site, utilising Terrace Hill's in-house commercial development and project management capabilities.

The Enlarged Group targets internal rates of return on strategic land sites of 20 per cent. at the property level.

(a) Alconbury Weald

Overview

Urban&Civic acquired the former Alconbury Airfield site in November 2009, purchasing a strategic parcel of neighbouring farm land a year later known as Grange Farm. The combined land holding, collectively known as Alconbury Weald, extends to approximately 1,432 acres of freehold land near to Huntingdon town centre which is adjacent to the East Coast Mainline and has direct links to the A14 and A1(M).

The Enlarged Group has the opportunity to create a large scale, low carbon, high quality mixed use development. As freehold owner and promoter of Alconbury Weald, the Enlarged Group will seek to develop the site over an estimated period of 20 years. The site has a resolution to grant outline planning consent subject to the Section 106 Agreement for 5,000 houses and approximately 3.1 million sq. ft. of commercial space, with a built out value (or GDV) estimated by Urban&Civic to be in excess of £1.3 billion (at current prices and assuming a build out of residential properties and the current market value of commercial property).

In August 2011, approximately 370 acres of the site was designated as an Enterprise Zone by the Government, reflecting its position as a key growth hub for the region. The airfield currently benefits from consent for temporary use for storage and distribution and generates approximately £2.4 million of gross rental income per annum from the letting of open storage land, former aircraft hangars and peripheral commercial buildings.

The resolution to grant outline planning consent includes consent for Grange Farm, but does not include residential development on the Grange Farm site. As a result, any residential development on this part of the site will require additional planning consent.

As a result, the Enlarged Group has the potential to further enhance land values at Alconbury Weald by extending the built form of the development to the Grange Farm site, which extends to 345 acres of the

total area of 1,432 acres, through the provision of a further 1,500 to 2,000 dwellings, subject to obtaining the necessary planning permission.

Planning application

In August 2012, Urban&Civic submitted a master plan outline planning application across the entire Alconbury Weald site for up to 5,000 houses, approximately 3.1 million sq. ft. of commercial space, 700 acres of open space, 501 acres of residential and commercial developable area, 60 acres of community heritage area primary and secondary education provision, community and retail facilities, low carbon infrastructure and preservation of listed buildings.

The local planning authority, Huntingdonshire District Council resolved to grant outline planning consent on 9 December 2013, subject to completion of a Section 106 Agreement and planning conditions commensurate with an application of this scale. Following automatic referral, the Secretary of State confirmed in January 2014 that the application would not be “called-in” and the Section 106 Agreement is currently being finalised.

An explanation of the UK planning process is set out in paragraph 2.6 of Part 9 of this document.

Development progress to date

Pursuant to a series of specific planning consents, Urban&Civic continues to invest in early infrastructure delivery and has to date constructed an access point for heavy commercial vehicles and construction haulage to the west of the site and has undertaken site clearance, demolition, crushing of hard standing (for re-use) and landscaping. In addition, a new main entrance, road for the Enterprise Zone and a 15,000 sq. ft. commercial building are now complete. To date all construction projects on site have been delivered on time and within budget.

The new commercial building within the Enterprise Zone is a business incubator unit that provides small and entrepreneurial companies with flexible office space and technical assistance to help grow their businesses. The business incubator building has been designed by internationally renowned architects, Allford Hall Monaghan Morris and has been recommended for a number of design awards. As at the Latest Practicable Date, two tenants have signed lease agreements.

The Enlarged Board believes that due to the scale and regional importance of Alconbury Weald, its redevelopment has the capacity to create up to 8,000 new jobs across a range of sectors. Urban&Civic has been working with local schools and colleges to ensure the development provides training and routes to work for a significant number of young people over the 20 year roll-out period.

Urban&Civic has partnered with a range of stakeholders throughout its ownership, including Stukeley Parish Council on the delivery and dedication of new community allotments, which were opened last year and central government on the allocation of £4.6 million of local infrastructure funding and a £5 million grant from the Department of Communities and Local Government for the Enterprise Zone. Both the local infrastructure funding and the grant are subject to final confirmation. The Enlarged Group intends to continue to partner with stakeholders over the site’s development programme.

The Section 106 Agreement

The Section 106 Agreement has been substantially agreed (subject to final discussions on the cap on the contribution to transport costs). The draft Section 106 Agreement for Alconbury Weald in respect of the outline planning application relates to the community facilities, education provision, affordable housing delivery and other financial matters. The Section 106 Agreement is currently being finalised, and will be phased across the delivery of the development. The Enlarged Group expects that the Section 106 Agreement will include the following:

Education	Land and contributions for three 3 form entry primary schools and one 8 form entry secondary school (contribution for one primary form subject to additional testing with Cambridgeshire County Council to fund a further one primary form if required)
Open space/ Outdoor sports	Formal and informal green space, parks and gardens, natural and semi-natural, amenity open space, allotments, community gardens and orchards, shared local sports and education, provision of equipped play areas
Indoor sport	Sports pavilion/community building, clubhouse/changing rooms
Community facilities	One community centre (up to 400 sq. m.) and two additional community centres (up to 1,000 sq. m. each) and a police room
Libraries	Provision for on-site library and heritage archive
Health	Provision for permanent on-site integrated health facilities with funding for temporary facilities
Local enterprise	Provision and management of jobs brokerage scheme
Affordable housing	Details of which are set out below
Transport	Details of which are set out below

The Enlarged Group expects the Section 106 Agreement for Alconbury Weald to establish a series of milestones or triggers relating to the number of residences occupied for these requirements to come into effect together with defined contributions/costs where relevant.

The Enlarged Group expects that “key phases” of development and planning will be defined in consultation with the local planning authority which will establish its own framework within the scope of the technical assessments and the development specification that underpin the outline planning consent. Reserved matters would then have to meet the requirements of the relevant key phase framework.

In relation to traffic and congestion, as a result of the uncertainty around the A14 Improvement Scheme, which is expected to relieve traffic congestion, it has been agreed with the national Highways Agency, the local planning authority and Cambridgeshire County Council that beyond approximately 850,000 sq. ft. of employment floorspace and up to 879 residential dwellings (for which specific transport mitigation measures have been identified), transport mitigation measures will be brought forward as relevant to each key phase taking into account the relevant circumstances at that time.

This approach is known as “monitor and manage” and enables the local authorities and the developer to settle appropriate mitigation at the time, and as relevant to the particular key phase. This is the approach preferred and supported by Cambridgeshire County Council and has the advantage of not having to resolve all the transport mitigation steps at the point of outline planning permission.

The quantum and tenure of affordable housing will be fixed through a viability review mechanism which will be carried out as each key phase is brought forward. The level of affordable housing will therefore vary based upon the costs and values achieved over time. However, the developer is guaranteed a minimum internal rate of return of 20 per cent. subject to providing at least 12.5 per cent. of affordable housing and not more than the level of affordable housing required in the affordable local plan policy prevailing at the time. Furthermore, early affordable housing provision has been agreed at zero per cent. for the first 350 units with 10 per cent. of up to 879 units being a 50/50 mix of affordable rented and shared ownership units.

Next phase of development

The delivery of the initial key phases will include up to 1,100 homes, 850,000 sq. ft. of commercial space, a three-form entry primary school and associated infrastructure and landscaping. The Enlarged Group intends to build out a proportion (up to 100 homes) of this first residential phase in order to ‘place-make’, while the established design code will provide housebuilders with enough flexibility to bring forward their own ideas and methods.

Urban&Civic is currently advancing the design for the first phase of the outline planning consent in parallel with the completion of the Section 106 Agreement. The Enlarged Group expects to receive the required approvals to allow infrastructure and enabling works to start in the third quarter of 2014 with residential delivery commencing in the second quarter of 2015.

The community infrastructure levy ("CIL") is a new levy that local authorities in England and Wales can choose to charge on new developments in their area. Huntingdon District Council has adopted the CIL and as such the Enlarged Group may be called upon to pay CIL once the reserved matters under the outline planning consent have been approved by Huntingdon District Council. Huntingdon District Council has published its current charging rates; however, the amount payable will be calculated on the then current rates. The Enlarged Group has incorporated these into its financial assessment of the Alconbury Weald development.

Over the next 18 months, the rate of delivery at Alconbury Weald is expected to increase progressively with three separate centres of construction operating within the development. Due to the scale of infrastructure and other development costs (in excess of £20 million) over this period, the Enlarged Group will implement a full and thorough procurement process. The Enlarged Board intends to have two or three development partners who can deliver quickly, safely and within budget and to the level of quality that the project demands.

CBRE have valued the site at £101 million as at 31 December 2013 on the basis of a resolution to grant outline planning consent, which represents a £31.0 million uplift to the previous carrying value immediately prior to the resolution.

Further details on the valuation are set out in Part 19 of this document.

(b) Rugby

Overview

The Rugby Radio Station site is a former radio transmission facility located in Rugby, Warwickshire. Following decommissioning in 2003, BT and Aviva formed a joint venture, the Rugby Radio Station Limited Partnership ("RRSLP"), to promote the redevelopment of the Rugby Radio Station site. The site extends to approximately 1,674 acres and comprises two principal elements, the predominantly residential Sustainable Urban Expansion ("SUE") site and a logistics site known as the Daventry International Rail Freight Terminal III ("DIRFT") site. The SUE site and the DIRFT site are divided by the A5 road. Under the Strategic Management Agreement, RRSLP has given ProLogis the right to provide strategic management in relation to the delivery of certain infrastructure works in respect of the two sites.

In 2012 RRSLP went to the market to select a development partner for the 1,170 acre SUE site and, following a competitive process, Urban&Civic was confirmed as the preferred partner in May 2013, which included an option to acquire an interest in the site. In April 2014, Urban&Civic, through SUE LP (its 50:50 joint venture with Aviva), entered into the Rugby Acquisition Agreement to purchase the SUE site from RRSLP. Upon completion, the SUE site will be owned 50:50 by Aviva and Urban&Civic. The DIRFT site will remain within RRSLP and will not be acquired by the Enlarged Group. The Rugby Acquisition is subject to two outstanding conditions including one in relation to completing arrangements to revise the Strategic Management Agreement between RRSLP and ProLogis all of which can be waived by Urban&Civic (through SUE LP). The acquisition is expected to complete by late 2014, although there is a longstop date of 31 March 2015. The Rugby Acquisition Agreement is summarised in paragraph 16.2.1 of Part 20 of this document.

The Enlarged Board is confident that the Rugby Acquisition will complete, as the conditions to completion are designed to enable the Enlarged Group to reach more favourable terms following entry into the Rugby Acquisition Agreement and can be waived by Urban&Civic (through SUE LP) in any event. The Rugby Acquisition is important for the Enlarged Group due to its size and scale which is comparable to Alconbury Weald, and fits the Enlarged Group's strategy of securing large scale strategic land holdings in locations that benefit from strong transport links as well as robust local economies.

The site has outline planning permission for 6,200 houses and approximately 1.3 million sq. ft. of commercial space, 460 acres of residential and commercial developable area, 49 acres of community and heritage areas, 393 acres of open spaces, with a built out value (or GDV) estimated by Urban&Civic to be in excess of £1.4 billion (at current prices and assuming a build out of residential properties and the current market value of commercial property).

The SUE site comprises approximately 1,170 acres of which RRSLP currently owns 981 acres and has options over approximately 145 acres. The balance of 44 acres needs to be acquired but in the event that

suitable commercial arrangements cannot be agreed for this acquisition, the number of housing units which could be delivered on site will be reduced by approximately 300 units. The Enlarged Board does not believe this will have a material impact on the development or on the value of the SUE site as the loss of sales revenue would be mitigated by the absence of land acquisition consideration as well as variations to the outline planning consent over the lifetime of this development.

Planning application

Since selection as preferred development partner and prior to entering into the Rugby Acquisition Agreement, Urban&Civic has led the planning process for the SUE site on behalf of RRSLP.

Rugby Borough Council’s core strategy was adopted in June 2011 and the SUE site has been identified as the larger of two proposed extensions to Rugby’s urban area. Rugby Borough Council’s core strategy supports the delivery of up to 6,200 homes, which represents over 50 per cent. of Rugby Borough’s housing supply up to 2026, and 1.1 million sq. ft. of commercial floor space within the SUE site. A range of associated uses are identified to accompany the housing and employment allocation, including three primary schools, a secondary school, a public transport route, a district centre and three local centres and other associated social and physical infrastructure. The Rugby Radio Station site has also been identified as a priority in the HCA’s Midlands Operating Area business plan (2012) and within the HCA’s Local Investment Plan (2011) with Rugby Borough Council, which the Enlarged Board expects will help progress the development of the Rugby site.

Rugby Borough Council’s planning committee unanimously resolved to grant outline planning consent for the development in January 2014 subject to the completion of the Section 106 Agreement, which is expected to be signed in the near future. The Enlarged Group intends to bring forward the delivery of the site using the Alconbury Weald blueprint set out above, whilst recognising the unique characteristics of the SUE site.

Finalisation of the Section 106 Agreement

The Section 106 Agreement for Rugby has been agreed and is expected to be signed in the near future. Working from the key phase template used for Alconbury Weald, the Section 106 Agreement for Rugby provides for the phases to be determined by RRSLP (and upon completion, SUE LP) and Rugby Borough Council.

Rugby Borough Council has also accepted the key phase approach to the Section 106 Agreement.

The Enlarged Group expects that the principal planning requirements of the Section 106 Agreement for Rugby, which will be phased across the delivery of development, will include the following:

Education	Land and contributions for three 2 form entry primary schools and one 8 form entry secondary school. Contributions for additional 1 form entry if required and for primary and secondary special educational needs
Open space/ Outdoor sports	Formal and strategic informal open space together with provision of equipped play area and contribution to canal corridor/towpath improvements
Indoor sport	3,100 sq. m. of D2 uses co-located with community facilities/secondary school
Community facilities	2,900 sq. m. of community uses to be provided across the development in part co-located with indoor sport/secondary school
Heritage	Refurbishment of listed buildings (C and A stations)
Health	Provision of land for an 8 GP permanent on-site centre with a temporary space in the interim
Waste management and recycling	Contribution towards waste management such as bins/innovative collection opportunities and recycling facilities
Affordable housing	Details of which are set out below
Transport	Details of which are set out below

As with Alconbury Weald, the Section 106 Agreement is expected to establish a series of milestones or triggers relating to the number of residencies occupied for these requirements to come into effect together with defined contributions/costs where relevant.

In relation to traffic and congestion, a full set of mitigation measures have been agreed with Warwickshire County Council. A number of the traffic-related works will be delivered directly by the master developer and are therefore set out as planning conditions. Other off-site works will be undertaken by Warwickshire County Council and therefore contributions are provided for in the Section 106 Agreement. Bus subsidies, travel plan measures and foot and cycle paths across the site have also been agreed.

The Section 106 Agreement is expected to contain a review mechanism to address the quantum and tenure of affordable housing as each key phase is brought forward. The level of affordable housing will therefore vary based upon the costs and values achieved over time: however, the developer is guaranteed a minimum internal rate of return of 20 per cent. although this is not subject to a minimum level as for Alconbury Weald and is capped at the affordable local plan policy prevailing at the time. The assessment for the first key phase has already been undertaken and it has been agreed that there will be no affordable housing for the first 350 housing units. Between 350 and 500 housing units, eight intermediate tenure units are required and of the units within the first key phase, 10 per cent. will be affordable split 50/50 between affordable rent and intermediate tenures.

The Section 106 Agreement will not be signed by the third party land owners at the time of its execution. Rugby Borough Council has agreed to the use of a condition which requires those third party land owners to enter into the obligations within the Section 106 Agreement if they wish to bring forward development under the outline planning consent on their land. Where SUE LP purchases their land then SUE LP will enter into the obligations within the Section 106 Agreement in respect of that purchased land.

Next phase of development

The initial delivery phases may extend to a maximum of approximately 1,000 homes, approximately 270,000 sq. ft. of commercial space, a two-form entry primary school and associated infrastructure and landscaping.

The design for the initial delivery phase of the outline consent for Rugby is being advanced prior to applying to Natural England for a licence to capture and clear newts currently resident within the first phase area. Reserved matters approvals will be sought in respect of the roads and green spaces and for early housing delivery, which is expected to commence in the third quarter of 2015.

As with Alconbury Weald, the Enlarged Group will seek to build out a proportion of the residential dwellings at Rugby in order to 'place-make' either independently or alongside Aviva, as joint venture partner.

CBRE have valued Urban&Civic's 50 per cent. interest in the SUE site at £27.5 million as at 9 January 2014 on the basis of a resolution to grant outline planning consent. This represents a significant uplift to Urban&Civic's acquisition price of £16.7 million which was agreed prior to the resolution to grant outline planning consent being achieved.

Further details on the valuation are set out in Part 19 of this document.

1.3.2 Commercial developments

The Enlarged Group's commercial development activities are focused on three main areas: foodstores; Central London offices and regional commercial development in the office, retail, industrial, student accommodation and leisure sectors. Commercial developments are delivered under the Terrace Hill brand and through its established regional office network, with offices in London, Teesside, Bristol, Manchester and Glasgow, which it uses to source and manage delivery of commercial development projects. The Enlarged Group's regional office network provides insight to the Enlarged Group into local economies that are recovering from the economic downturn. On Admission, the Enlarged Group will be engaged in a diverse portfolio of commercial developments across the UK.

The Enlarged Group seeks to achieve superior risk-managed returns on its commercial development activity and will assess whether to forward fund a development or sell upon completion of the development on a case by case basis, weighing up development risks against the yield on cost and expectation of future yields.

This decision can be illustrated by looking at two current schemes, Herne Bay, a foodstore development with an estimated GDV of approximately £50 million and Darlington, a leisure and hotel scheme with an estimated GDV of approximately £23 million.

The Enlarged Group has secured key pre-leases on each scheme, and will directly control and manage construction risk and delivery by appointing the building contractor and utilising its in-house project managers. At Darlington, the Enlarged Group intends to retain the asset post completion of the development given the attractive yield on cost and the Enlarged Board's view on future values. By contrast, the foodstore at Herne Bay will, subject to planning, be sold on completion as a result of current high levels of demand from institutional investors and limited scope for future yield compression.

The Enlarged Group targets profit on cost of at least 20 per cent. at property level.

(a) **Foodstores**

The Enlarged Group will benefit from Terrace Hill's recognised expertise in foodstore development. Since 2008, Terrace Hill has completed highly profitable transactions involving seven foodstores with a total floor area of over 500,000 sq. ft. and GDV in excess of £180 million. On Admission, the Enlarged Group will be developing four foodstores totalling approximately 340,000 sq. ft., including:

- **Gateway, Teesside:** Terrace Hill owns a 17 acre site and plans to develop a 125,000 sq. ft. foodstore and petrol station pre-let to Sainsbury's, subject to various conditions including payment of a premium to Sainsbury's, with sites also conditionally pre-let to Marston's and KFC. Planning consent was granted in February 2014 with an expectation to be on-site in mid-2014;
- **Herne Bay, Kent:** Terrace Hill has conditionally acquired a 7.5 acre site and plans to develop a 99,700 sq. ft. foodstore and petrol station pre-let to Sainsbury's. The planning application was submitted in 2012 and the Enlarged Board expects a recommendation for approval/ determination in 2014;
- **Midsomer Norton, Somerset:** Terrace Hill has conditionally acquired a 12 acre site and terms have been agreed with a retailer to develop a 93,700 sq. ft. foodstore; and
- **Stokesley, North Yorkshire:** Terrace Hill has conditionally acquired a 5.3 acre site and plans to develop an approximately 25,000 sq. ft. foodstore with 173 car parking spaces and a petrol filling station.

(b) **Central London offices**

The Enlarged Group will aim to continue Terrace Hill's successful track record of developing offices in Central London, with nine schemes completed over the past 12 years representing approximately 350,000 sq. ft. and £290 million of GDV. On Admission, the Enlarged Group will be involved in the development of two Central London offices totalling approximately 190,000 sq. ft.:

- **Conduit Street, London W1:** a 30,400 sq. ft. office and retail scheme currently under construction in Mayfair. The retail element is pre-let to Dsquared², and Terrace Hill is acting as development manager; and
- **Howick Place, London SW1:** a 160,300 sq. ft. office and residential scheme in Victoria which was developed in a joint venture with Doughty Hanson. Leases have been secured for part of the office space, including for the UK head office for Giorgio Armani, and all of the residential element.

(c) **Regional opportunities**

The Enlarged Group will benefit from Terrace Hill's more than 20 years' experience of developing in the regional office, retail and industrial sectors and, more recently, in the leisure and student accommodation sectors. On Admission, the Enlarged Group will be involved in nine regional development opportunities totalling approximately 540,000 sq. ft. including:

- **Darlington, County Durham:** planning permission was received in December 2013 for a 105,400 sq. ft. leisure and hotel scheme, with pre-lettings secured with Vue Cinemas, Premier Inn and Greene King. Terrace Hill was selected by Darlington Borough Council to develop the scheme and completion is expected by the end of 2015. These schemes require experienced planning and local authority relationships and the Company is currently investigating other similar important town centre opportunities; and

- **Southampton, Hampshire:** a 1,104 bed student accommodation development pre-let to Southampton University. This has been forward funded by Legal & General and is under construction and expected to complete by July 2014. This is a strong example of the material growth in student housing demand reflecting very positive growth in student numbers, a positive regulatory environment and a shortage of high quality accommodation.

1.4 Key strengths

The Enlarged Group's key strengths are:

- the combination of two established businesses with a clear strategic logic;
- a management team with outstanding track records in planning and metropolitan/local project management and with interests aligned with investors;
- strategic land holdings in robust regional locations; and
- low base costs and operational leverage.

Combination of two established businesses with a clear strategic logic

The Enlarged Group will be formed by the combination of Urban&Civic and Terrace Hill. The Enlarged Board believes that the combination of these two established businesses creates an Enlarged Group that has a complementary strategy which focuses on large scale strategic residential land holdings, and profitable commercial development/trading opportunities across Central London and the UK's regions.

The combination of the two businesses provides:

- commercial developments which can create shorter term profits and strategic land holdings to provide longer term development gains;
- a combination of planning, development and project management skills to allow profitable development of both commercial developments and strategic residential land holdings; and
- an established regional network which provides the Enlarged Group with geographic diversification and insights into local markets to identify opportunities and assess local demand, planning policy and regimes and the local political environment.

Management team with outstanding track record and interests aligned with investors

The Enlarged Group's management team has an outstanding track record in planning and metropolitan/local project management.

Only three major retail planning consents have been achieved in London since the Second World War and two of the most recent, namely White City (now Westfield London) and Stratford (now Westfield Stratford City), were achieved by members of Urban&Civic's management team. In addition, the team has achieved resolutions to grant planning consents for approximately 19 million sq. ft. of buildable area within the last five months.

In the past 15 years, Urban&Civic's management team has been directly involved in five of the largest regeneration schemes built or under development in London: Paddington Basin, Elephant and Castle, Greenwich Peninsula, White City and Stratford.

Terrace Hill has a more than 20 year track record of commercial development in Central London and the regions, delivering 66 developments totalling approximately 3.8 million sq. ft. over this time. The majority of Terrace Hill's senior operational management have worked for Terrace Hill for a considerable period of time. The team has demonstrated an ability to adapt to changes in property and financial markets and this is exemplified by its move into foodstore developments in 2008, where it is now a market leader. The following are a selection of commercial developments delivered by Terrace Hill across the UK over the last 10 years:

- **Cyprium, Swansea:** a 70,000 sq. ft. office scheme developed in 2006;
- **Time Central, Newcastle:** an 83,000 sq. ft. Grade A commercial office space completed in 2008;
- **Pinewood, Wokingham:** a 120,000 sq. ft. office development in 2008;
- **Wilton Road, Victoria, London:** a 64,000 sq. ft. office development sold in 2010;
- **Howick Place, Victoria, London:** a 160,300 sq. ft. office and residential scheme in 2012; and

- **Sunderland:** a 99,000 sq. ft. Sainsbury's foodstore completed in 2013.

In addition, the Enlarged Group's management team will hold a significant number of shares in the Company on Admission and their interests are therefore aligned with investors.

Strategic land holdings in robust regional locations

The Enlarged Group focuses on securing major strategic land holdings in locations that benefit from strong transport links, robust local economies and, what it believes to be superior growth potential. The strategic land interests in Huntingdon (Cambridgeshire) and Rugby (Warwickshire) are located in regions which are forecast to benefit from house price growth of 30.7 per cent. and 23.4 per cent. respectively over the next four years; this compares to 24.4 per cent. in London.

Low base costs and operational leverage

Urban&Civic's strategic land holdings have been assembled at less than half the cost that is commonly achieved by listed housebuilders. The cost per residential plot for Alconbury Weald and Rugby equate to £13,610 and £10,661 respectively.

The Enlarged Board expects that low base costs for land coupled with comparatively high house prices will allow for future growth, facilitate early capital recycling from 2015 and enhance returns to the Enlarged Group. In addition, the Enlarged Board expects the capital requirements to service land at the Alconbury Weald and Rugby developments will peak at approximately £50 million as a result of early capital recycling. There is a strong level of optionality in the strategic land and the Enlarged Group is well placed to benefit from the profits from delivering Alconbury Weald and Rugby's combined estimated £2.7 billion of GDV. The Net Proceeds will provide the Enlarged Group with sufficient capital to proceed with development of these sites, and the Enlarged Group will recycle capital from early phases to minimise the aggregate level of capital employed.

1.5 Market opportunities

The Enlarged Group has identified a pipeline of further strategic residential land opportunities, including a large scheme in the south-east of England within the M25 and a second large scheme in Cambridgeshire.

The Enlarged Group has a current pipeline of commercial development projects across the spectrum of its core activities, including a student accommodation scheme on the south coast of England, a cinema-led leisure scheme in the north-west of England, a large foodstore in the south-west of England with a new foodstore operator relationship and an office scheme in the north-west of England.

Local authorities and the public sector are becoming more active in sponsoring development and regeneration, and the Enlarged Group has been able to secure pipeline opportunities through its long track record of performance and trust with relevant local authorities. The Enlarged Group is currently working with Darlington Borough Council to develop a leisure scheme in Darlington town centre and has a long term development agreement with Gateshead Metropolitan Borough Council for a business park close to the River Tyne.

1.6 Reasons for the Placing and use of proceeds

The Placing is being made in order to raise funds for the purpose of delivering the strategy of the Enlarged Group, and specifically to secure and develop profitable strategic residential land holdings and commercial developments.

Subject to the Placing becoming unconditional, the Net Proceeds will be used as follows:

- £50 million to further develop the strategic residential sites at Alconbury Weald and Rugby;
- £30 million to undertake some current commercial developments on balance sheet, including schemes at Darlington, Herne Bay, Midsomer Norton, Bristol and Glasgow; and
- the balance to purchase and develop pipeline opportunities.

Given the nature of the existing Terrace Hill pipeline, the equity capital to be applied to commercial developments could utilise additional debt capital to allow substantially larger investment than the equity

committed on pre-let development schemes, potentially leading to a rebalancing of assets and income towards the commercial activities over the short term.

Whilst the Enlarged Board expects the Rugby Acquisition to complete given Urban&Civic's ability to waive the conditions precedent (through SUE LP), if it elects not to complete, then the Enlarged Board intends to use the relevant proportion of the Net Proceeds to purchase and develop pipeline opportunities.

In the short term, a proportion of the Net Proceeds may be used to repay existing bank facilities of the Enlarged Group, some of which may be redrawn if and when required.

1.7 Directors and senior management

Directors

On Admission, the directors of the Company and their functions will comprise:

Nigel Hugill	<i>Executive Chairman</i>
Robin Butler	<i>Managing Director</i>
Philip Leech	<i>Property Director</i>
Jon Austen	<i>Group Finance Director</i>
Robert Adair	<i>Deputy Chairman and Non-executive Director</i>
June Barnes	<i>Independent Non-executive Director</i>
Alan Dickinson	<i>Senior Independent Non-executive Director</i>
Robert Dyson	<i>Independent Non-executive Director</i>
Duncan Hunter	<i>Independent Non-executive Director</i>
Mark Tagliaferri	<i>Non-executive Director</i>

Profiles of the directors of the Company on Admission are set out below:

Nigel Hugill, aged 56, *Executive Chairman (to be appointed on Admission)*

Nigel is a founding director and Executive Chairman of Urban&Civic Limited. He has held numerous senior positions within the property and regeneration industry over a career spanning 30 years, including serving as Special Policy Adviser to Sir Bob Kerlake at the Homes and Communities Agency. He was Chief Executive Officer of Chelsfield plc from 1992 to 2005 and Executive Chairman of Lend Lease Europe from 2005 to 2008, having joined the company through the joint acquisition of the residential developer, Crosby.

Robin Butler, aged 54, *Managing Director (to be appointed on Admission)*

Robin co-founded Urban&Civic with Nigel Hugill in 2009, and is Managing Director. He joined Elliott Bernerd in 1985 and in 1986 became a founder director of Chelsfield plc, where he was involved in regeneration projects of metropolitan scale and international significance, including Paddington Basin, White City (now Westfield) and Stratford City in London. He joined Lend Lease Europe in 2005 and was appointed Deputy Chairman in 2007.

Philip Leech, aged 51, *Property Director (appointed 19 September 2002)*

Philip, Chief Executive of Terrace Hill since 2005, joined Terrace Hill in 1993 and established and ran the north-east office from 1994. He has been personally responsible for large parts of Terrace Hill's regional development portfolio for the past 20 years. Philip will continue to lead the Enlarged Group's commercial development activities.

Jon Austen, aged 57, *Group Finance Director and Company Secretary (appointed 1 September 2008)*

Jon is the Finance Director of Terrace Hill, a position he has held since joining in 2008. He previously served as chief financial officer at Arlington Securities Limited and Pricoa Property Investment Management, and joined Terrace Hill from Goodman Property Investors. Jon has been working in the property industry for over 20 years.

Robert Adair, aged 57, *Deputy Chairman and Non-executive Director (appointed 31 March 1994)*

After graduating in geology from Oxford University, Robert Adair qualified as a Chartered Accountant and then specialised in oil and gas taxation. Robert founded Terrace Hill in 1986. Robert was also the original founder and Chairman of Melrose, which merged with Petroceltic International plc in October 2012. He is Chairman of Skye Investments Limited, Petroceltic International plc's principal shareholder. He also holds directorships in a number of other private companies.

June Barnes, aged 59, *Independent Non-executive Director (to be appointed on Admission)*

June has been Group Chief Executive of East Thames Group (“ETG”) for 15 years. She trained as a town planner and is also a member of the Chartered Institute of Housing. ETG is a large housing association based in Stratford which works in east London and Essex. It has a turnover of approximately £115 million and employs around 800 staff. As well as owning and managing nearly 14,000 homes, ETG provides care and support services to over 2,000 vulnerable people and has an active team promoting social and economic regeneration. ETG currently has a development pipeline of around 2,000 homes of which around 400 are homes for outright sale. ETG has a strong reputation for successful regeneration and for developing mixed tenure housing of high quality design.

June is currently a board member of the Institute of Sustainability and Stratford Renaissance Partnership and sits on the London Mayor’s Design Advisor Group. She has served on a number of boards and working groups over the years concerned with the built environment and poverty and was Chair of the London Sustainable Development Commission for 2005-8 and more recently Vice Chair of the National Housing Federation.

Alan Dickinson, aged 63, *Senior Independent Non-executive Director (to be appointed on Admission)*

Alan has spent more than 45 years in banking, having started his career with Westminster Bank in 1968. He is an experienced retail and corporate banker with a strong strategic focus and considerable experience of the corporate world and the impact of current and past economic cycles upon markets and market participants. He is a former Executive Committee member of the RBS Group and Chief Executive of RBS UK. Alan is currently a non-executive director of Nationwide Building Society (and Chairman of their Board Risk Committee), Carpetright plc (and Chairman of their Remuneration Committee), Willis Limited (and Chairman of their Executive Risk Committee) and Brown Shipley & Co Limited (where he is also Chairman). Alan is also a governor of the charity, Motability and Honorary Treasurer of Surrey County Cricket Club.

Robert Dyson, aged 65, *Independent Non-executive Director (appointed 5 March 2007)*

Robert is a chartered surveyor and former chairman of the north-west region of property advisers Jones Lang LaSalle from where he retired at the end of 2013. Throughout his career he specialised in commercial investments and developments. From October 1998 until February 2007, he was a director of Dunlop Haywards (DHL) Limited. Robert is also a non-executive director of the Manchester Building Society.

Duncan Hunter, aged 65, *Independent Non-executive Director (to be appointed on Admission)*

Duncan joined Cazenove & Co in 1974 and became a Partner in 1981. After 2000 he worked exclusively in corporate finance as a Managing Director at J.P. Morgan Cazenove, leading some of the firm’s largest financial advisory mandates for M&A, equity and convertible bond offerings. On retiring from J.P. Morgan Cazenove, he joined EQL Capital as Executive Chairman in January 2008.

Mark Tagliaferri, aged 51, *Non-executive Director (to be appointed on Admission)*

Mark heads the London office of GI Partners. Prior to joining the firm, he spent six years with Nomura, after which he served as a Senior Partner at Terra Firma Capital Partners. At Nomura/Terra Firma, Mark assisted in the investment and oversight of approximately \$3 billion of equity capital invested in European businesses and properties. Previously, he was Founder and Chief Executive of Dawnay Day Corporate Finance, which was ranked in the top five UK mergers and acquisitions boutiques during his tenure. His early career was with Deloitte & Touche, where he finished as head of its London M&A Advisory Practice.

Senior Managers

On Admission, the Senior Managers and their functions will comprise:

Richard Hepworth	<i>Project Management</i>
Robert Lane	<i>London Development and South-East</i>
Tim Leathes	<i>Development</i>
Duncan McEwan	<i>National Regional Development</i>
Adam Pratt	<i>Regional Development</i>
James Scott	<i>Planning and Regeneration</i>
Nigel Wakefield	<i>Regional Development</i>
David Wood	<i>Finance</i>

Profiles of the Senior Managers are set out below:

Richard Hepworth, aged 54, *Project Management*

Richard is head of Terrace Hill's project management division and joined the business in 2004. He is a qualified chartered civil engineer and before joining Terrace Hill he was head of the north-east office of regional building contractor, Thomas Armstrong.

Robert Lane, aged 47, *London Development and South-East*

Robert has been with Terrace Hill since 1994, since then he has been responsible for the sourcing and development of Central London and Thames Valley office and mixed use developments. Robert joined from Conrad Ritblat where he qualified as a chartered surveyor.

Tim Leathes, aged 36, *Development*

Tim started work at Bovis Lend Lease managing a range of projects and PFI bids, before being seconded to the United Nations' Human Settlements Division (UN Habitat) to work as Project Manager in Sri Lanka and Head of Logistics in the Maldives as part of the post-Tsunami reconstruction effort. In 2006 he returned to Lend Lease to work as Development Manager for the Athletes Village in Stratford – a key part of the London 2012 regeneration legacy. He joined Urban&Civic in April 2010, where he is leading the development of the Alconbury Weald site.

Duncan McEwan, aged 49, *National Regional Development*

Duncan, a chartered surveyor, joined Terrace Hill in 2003 having previously worked for MacDonald Estates and Miller Development in Scotland and prior to that various surveying practices in England and Scotland. He specialises in retail and leisure development and now heads the same division within Terrace Hill, having been instrumental in the delivery of Terrace Hill's retail pipeline since joining. He is also responsible for running the Teesside office, and has a supervisory role over the Manchester office.

Adam Pratt, aged 50, *Regional Development*

Adam, a chartered surveyor, joined the Terrace Hill Group in 1996 prior to which he worked for Hunting Gate and before that Strutt & Parker where he qualified as a chartered surveyor. He is responsible for running the Bristol office and specialises in the development of retail and office projects.

James Scott, aged 39, *Planning and Regeneration*

James qualified as a barrister at Landmark Chambers, before advising the Government on planning issues and cross-qualifying as a solicitor with Dechert LLP. Prior to becoming one of the founder members of Urban&Civic, James was the youngest member of the senior executive team of Lend Lease Europe heading up Town Planning and Risk Management and having overall responsibility for Health and Safety and Crisis Management. During a 13 year career in the real estate sector, focusing on planning and the environment, James has managed a full range of development projects. He is the architect of the innovative planning structures that have been employed at Alconbury Weald and Rugby. James is also a non-executive director of East Place and East Thames Partnership which are subsidiaries of the East Thames Group.

Nigel Wakefield, aged 45, *Regional Development*

Nigel joined Terrace Hill from Capital & Regional in 2000 and prior to that he worked at St Quintin where he qualified as a chartered surveyor. Since joining the Terrace Hill Group he has specialised in the development of retail and industrial property in the south of the UK.

David Wood, aged 42, *Finance*

David joined Urban&Civic in April 2010 from Minerva plc and is responsible for finance, accounting, management and statutory reporting and tax. After qualifying as a chartered accountant with Deloitte & Touche in 1997, David joined Chelsfield plc and was promoted to Group Financial Controller by the time Chelsfield was taken over in part by Multiplex Developments in 2005. David left Multiplex a year later to join Minerva and has over 17 years of experience in the real estate sector.

1.8 Integration

The Enlarged Board views the operations, systems and employee skills of each of the businesses of Urban&Civic and Terrace Hill to be complementary and notes that the businesses' key information systems are consistent. Terrace Hill currently has 27 employees across five offices (of whom 16 employees are based in London) and Urban&Civic has 11 employees (all of whom are based in London). As a result, the Enlarged Board expects the integration process to be relatively straight-forward, although it will be a gradual one in order to minimise the disruption and costs to the Enlarged Group. In due course, the Enlarged Group will look to move its London-based employees into one location.

1.9 Current trading and outlook

Since 31 December 2013, Urban&Civic has continued to make excellent progress at Alconbury Weald. The Section 106 Agreement, required by the December 2013 resolution to grant planning consent, is currently being finalised; early stage demolition has been carried out and the design of the first phase of development has been advanced.

As is becoming customary for a project of Alconbury Weald's size and duration, the Section 106 Agreement is expected to contain a review mechanism that sets a 12.5 per cent. minimum for affordable housing delivery across the lifetime of the development, with subsequent increases to this level where the development's internal rate of return exceeds a set threshold. For Alconbury Weald, the minimum level has been agreed at 12.5 per cent. for affordable housing with a threshold internal rate of return of 20 per cent.

Rugby Borough Council announced its unanimous resolution to grant planning consent in respect of Rugby in January 2014. Urban&Civic has entered into the Rugby Acquisition Agreement to acquire BT's 50 per cent. interest in Rugby and completion is anticipated by late 2014. The Section 106 Agreement for Rugby has been agreed, including the affordable housing quantum for the first phase of development, and is expected to be signed in the near future. For future phases, the Rugby development is expected to be subject to an affordable housing review mechanism which provides for a minimum level of developer returns before affordable housing is delivered. Design of the first phase is well underway and the Enlarged Group expects to commence construction of enabling infrastructure in late 2014 with early housing delivery in the third quarter of 2015.

In the period since 31 December 2013, Terrace Hill has made good progress at a number of its commercial developments, and has completed one asset sale.

The Enlarged Board believes that in spite of recent mixed trading in the foodstore development sector, there remains good demand, covering both new developments and relocation/restructuring, from major operators in the sector.

Following the conditional acquisition of a 5.3 acre site in Stokesley, North Yorkshire for a new approximately 25,000 sq. ft. foodstore development and petrol filling station, Terrace Hill conducted a public consultation process and has submitted a planning application. If planning permission is granted, the Enlarged Board anticipates that the new foodstore will be open in 2015, following a forward agreement with a foodstore operator and a 10 month construction phase.

Terrace Hill has agreed terms for an approximately 93,700 sq. ft. foodstore at its proposed development at Midsomer Norton and will work towards submitting a planning application later this year.

Following receipt of planning consent from Darlington Borough Council's planning committee for the Feethams scheme, Terrace Hill has three further restaurant units under offer to national operators, who will complement secured lettings with Prezzo, Chinese Buffet and Greene King. The scheme, which will have a nine screen multiplex Vue cinema and an 80-bed Premier Inn Hotel, will provide a leisure destination on a 1.9 acre former bus station in Darlington town centre. The scheme is expected to create around 500 new jobs, and the Enlarged Board intends to commence development in autumn 2014 with completion expected in 2015.

Terrace Hill has received planning consent for changes to the elevations at its development known as Aquila in Bristol in February 2014 and has since submitted a further planning application for an additional floor as part of its proposed conversion of the building to residential use.

Other recent activity includes:

- sale of Baltimore House, a multi-let office building in Gateshead;
- “topping out” of the student accommodation scheme at Mayflower Halls, Southampton which is on track for completion in the summer 2014; and
- letting of the retail and some of the office space to Dsquared² at the development at Conduit Street in London where it is development manager.

1.10 Pro forma and selected financial information

Unaudited pro forma financial information is set out in Part 18 of this document which has been prepared to illustrate the effect of the Acquisition, the Placing and the Rugby Acquisition on (a) the net assets of the Terrace Hill Group as if they had occurred on 31 December 2013 and (b) the total comprehensive income of the Terrace Hill Group as if they had occurred on 1 October 2012.

A summary of the consolidated results of the Urban&Civic Group for the three years ended 31 December 2013 is set out in Part 12 of this document.

A summary of the consolidated results of the Terrace Hill Group for the three years ended 30 September 2013 and the three months ended 31 December 2013 is set out in Part 13 of this document.

1.11 Gearing policy

The Enlarged Board intends to maintain a low level of gearing for the Enlarged Group, targeting a loan to the Enlarged Group’s gross asset value ratio in the region of 30 per cent. which will typically be secured at the asset level. The Enlarged Board intends to limit the amount of borrowing by the Enlarged Group that is secured against strategic residential developments, as there is already significant operating leverage in the land.

1.12 Dividend policy

The Enlarged Board intends to adopt a progressive dividend policy taking into account the Enlarged Group’s expected earnings and future expansion plans, and will target a first dividend after a full year of trading, being the year ending 30 September 2015, of approximately one per cent. of the Placing Price.¹

2. PRINCIPAL TERMS OF THE PLACING

The Placing comprises 75,555,556 Placing Shares to be issued by the Company. The Placing Shares will represent 54.0 per cent. of the Enlarged Share Capital (assuming the Placing is fully subscribed following completion of the bookbuilding process and that the Company issues 75,555,556 Placing Shares on the Placing).

Under the Placing, Ordinary Shares are being made available to certain institutional and professional investors in the United Kingdom and elsewhere outside of the United States in reliance on Regulation S and in accordance with other applicable laws, and in the United States only to QIBs in reliance on Rule 144A or another exemption from the registration requirements of the Securities Act. Certain restrictions that apply to the distribution of this document and Ordinary Shares in certain jurisdictions are described in paragraph 9 of Part 8 of this document.

In addition, the Company is proposing to offer Ordinary Shares up to an aggregate subscription amount of €5 million at the Placing Price to certain employees of the Enlarged Group (being fewer than 150 persons in total) (“Employee Offer”). The Employee Offer is not part of the Placing and is not being underwritten. The Employee Offer will be open until the date of the General Meeting following publication of this document (after the Placing Memorandum) and the results of the Employee Offer are expected to be announced on or about 14 May 2014.

¹ This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all.

Members of the Enlarged Board intend to subscribe for an aggregate amount of approximately £3.6 million in the Placing or the Employee Offer, further details of which are set out at paragraph 5.1 of Part 20 of this document.

Applications will be made to the FCA for the Enlarged Share Capital to be admitted to the standard listing segment of the Official List and to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on the London Stock Exchange's Main Market for listed securities. The Placing Shares have not been marketed in whole or in part to the public in conjunction with the applications for Admission.

The Company's obligation to issue the Placing Shares is conditional upon:

- (a) the Resolution being duly passed without amendment;
- (b) the Acquisition Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission;
- (c) the Placing Agreement becoming unconditional (save for Admission) and not having been terminated in accordance with its terms prior to Admission;
- (d) the execution of the Placing Memorandum and the Placing Memorandum including a number of Placing Shares sufficient to raise not less than £170 million of gross proceeds for the Company in the Placing following completion of the bookbuilding process; and
- (e) Admission taking place on 22 May 2014 or such later date as the Joint Bookrunners, the Company, the Principal Shareholders and the Enlarged Board may agree not being later than 31 May 2014.

If the Placing is not fully subscribed following completion of the bookbuilding process, then the Placing and the Acquisition will not proceed.

Pursuant to the Placing Agreement, the Directors and the Proposed Directors have each undertaken, subject to certain exceptions, that they will be subject to certain lock-up arrangements with respect to the Ordinary Shares and related securities. Each of the Company, the Directors and the Proposed Directors has given certain customary representations, warranties and undertakings to the Joint Bookrunners.

GIP U&C has also undertaken with the Joint Bookrunners to be bound by similar lock-up arrangements with respect to the Ordinary Shares and related securities.

In addition, Robert Adair and certain of his family trusts have undertaken with the Joint Bookrunners, from the date of this document until one year following Admission, not to dispose of any Ordinary Shares or related securities unless executed through Oriel Securities in order to maintain an orderly market in the Ordinary Shares.

Further details of the Placing are set out in Part 8 of this document and further details of the lock-up and orderly market arrangements are set out in Part 20 of this document.

3. DETAILS OF THE ACQUISITION AND GENERAL MEETING

The Acquisition

Pursuant to the Acquisition Agreement, the Company has conditionally agreed to acquire from the Sellers the entire issued and to be issued share capital of Urban&Civic together with all of the debt comprised in all its outstanding preferred equity certificates as at Completion (all of which are also held by the Sellers). Pursuant to the terms of the Acquisition Agreement, the Sellers will receive 43,084,456 new Consolidated Ordinary Shares in aggregate, valuing Urban&Civic at approximately £95.3 million on the basis of the middle market closing price of Ordinary Shares on the Latest Practicable Date (adjusted to reflect the Share Consolidation), a valuation based on the net asset value of Urban&Civic.

The existing Urban&Civic facility with The Royal Bank of Scotland (summarised at paragraph 16.2.5 of Part 20 of this document) will remain in place following Completion, but following Completion there will be no debt obligations owed by Urban&Civic to the Sellers or their associates and the preferred equity certificates (and accrued interest) will be capitalised following Completion in exchange for an issue of ordinary shares of Urban&Civic (and so eliminated).

Under Rule 14 of the AIM Rules for Companies, the Acquisition will constitute a reverse takeover of the Company and is conditional upon the passing of the Resolution by the Shareholders at the General Meeting, which is being convened for 14 May 2014.

Further details of the Acquisition Agreement are set out in paragraph 16.1.4 of Part 20 of this document.

The Acquisition is conditional upon, *inter alia*, the following:

- the approval by Shareholders of the Resolutions to be proposed at the General Meeting;
- the Placing Agreement becoming unconditional (save for Admission and any condition relating to the Acquisition Agreement becoming unconditional), and not having been terminated in accordance with its terms; and
- Admission.

Irrevocable undertakings have been received from the Directors and certain connected persons who hold Ordinary Shares and Caledonia Investments plc to vote and to procure that their Associates vote in favour of the Resolutions to be proposed at the General Meeting in respect of their aggregate holdings of 154,318,841 Existing Ordinary Shares representing approximately 72.8 per cent. of the current issued ordinary share capital of the Company.

The Acquisition Agreement contains warranties only in respect of title and capacity given by the Sellers to the Company and warranties regarding power and authority to enter into the Acquisition Agreement given by the Company to the Sellers.

In view of the size of the Acquisition in relation to Terrace Hill, the Acquisition constitutes a reverse takeover under the AIM Rules for Companies.

The General Meeting

In connection with the Proposals, the Company is seeking Shareholder approval at the General Meeting to adopt the New Articles in order to bring the Existing Articles up-to-date with the Act.

In addition, Shareholder approval will be sought at the General Meeting for the Share Consolidation, whereby the Existing Ordinary Shares of two pence each will be consolidated into Consolidated Ordinary Shares of 20 pence each in the capital of the Company on the basis of one Consolidated Ordinary Share for every 10 Existing Ordinary Shares held.

The purpose of the Share Consolidation is to reduce the total number of shares in issue following Completion. The Enlarged Board believes that this may reduce the volatility in the price of the Company's shares, may lead to more meaningful earnings per share figures, may avoid large dealing spreads in the shares and may ensure that the price of the shares is more appropriate for a company of its size following Completion.

The Consolidated Ordinary Shares will carry the rights and be subject to the same restrictions as the Existing Ordinary Shares as set out in the New Articles.

The General Meeting, notice of which is set out in the Circular being posted to Shareholders, has or will be convened for 9.00 a.m. on 14 May 2014 at Adelaide House, London Bridge, London EC4R 9HA for the purpose of considering and, if thought fit, passing the following Resolution, which will be passed as a special resolution to:

- approve the Acquisition for the purposes of Rule 14 of the AIM Rules for Companies;
- authorise the Directors to allot the Consideration Shares, the Placing Shares and the Employee Shares;
- disapply statutory pre-emption rights in relation to the allotment of the Placing Shares;
- adopt the New Articles;
- change the name of the Company to "Urban&Civic plc";
- approve the Share Consolidation;
- authorise the Directors to allot further Ordinary Shares following Admission, representing up to one third of the Enlarged Share Capital, plus an additional one third in relation to a rights issue;

- authorise the Directors to disapply statutory pre-emption rights in relation to the allotment of further Ordinary Shares following Admission, representing up to five per cent. of the Enlarged Share Capital;
- authorise the Company to purchase up to approximately 10 per cent. of the Enlarged Share Capital; and
- authorise the reduction of the notice period for a general meeting of the Company (other than an annual general meeting) to 14 days).

To be passed, the Resolution requires a majority of not less than 75 per cent. of Shareholders voting in person or by proxy to vote in favour.

If the Resolution is not passed at the General Meeting, the Acquisition and the Placing will not proceed and the Enlarged Group will not be formed. In these circumstances, Urban&Civic will remain a private company and Terrace Hill will remain admitted to trading on AIM.

PART 8

DETAILS OF THE PLACING

1. THE PLACING

The Placing Shares being issued by the Company will, following Admission, rank *pari passu* in all respects with all Ordinary Shares then in issue, including the right to receive all dividends and other distributions declared, made or paid in respect of the Ordinary Shares after Admission. The Ordinary Shares will be freely transferable under the New Articles.

This section should be read in conjunction with the Part 4 (Expected timetable of principal events) and Part 5 (Indicative statistics) of this document.

The Placing comprises an offer of 75,555,556 Ordinary Shares. These Ordinary Shares are being offered by means of an offer of Ordinary Shares in the United Kingdom and elsewhere outside the United States in accordance with Regulation S and by means of an offer of Ordinary Shares in the United States to QIBs pursuant to Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

In addition, the Company is proposing to offer Ordinary Shares up to an aggregate subscription amount of €5 million at the Placing Price to certain employees of the Enlarged Group (being fewer than 150 persons in total) ("Employee Offer"). The Employee Offer is not part of the Placing and is not being underwritten. The terms and conditions of the Employee Offer will be set out in a separate letter to the employees of the Enlarged Group and are therefore not contained in this document.

Members of the Enlarged Board intend to subscribe for an aggregate amount of approximately £3.6 million in the Placing or the Employee Offer as follows:

Robert Adair	£640,000	Nigel Hugill	£250,000
Philip Leech	£500,000	Robin Butler	£250,000
Jon Austen	£300,000	June Barnes	£10,000
Robert Dyson	£250,000	Alan Dickinson	£200,000
		Duncan Hunter	£1,237,500

The Company wishes to raise £170 million of gross proceeds in the Placing. The number of Ordinary Shares to be issued pursuant to the Placing will be 75,555,556 Ordinary Shares assuming the Placing is fully subscribed following completion of the bookbuilding process.

Immediately following Admission, it is expected that 58.4 per cent. of the Ordinary Shares will be held in public hands (excluding any Employee Shares).

Certain restrictions that apply to the distribution of this document and Ordinary Shares in jurisdictions outside the United Kingdom are described in paragraph 10 of this Part 8.

2. REASONS FOR THE PLACING AND USE OF PROCEEDS

Further details about the reasons for the Placing and the use of proceeds are set out in paragraph 1.6 of Part 7 of this document.

3. BOOKBUILDING AND ALLOCATIONS

All Ordinary Shares made available pursuant to the Placing will be payable in full at the Placing Price. The results of the Placing are expected to be announced at or before 7.00 a.m. on 1 May 2014.

Allocations under the Placing will be determined by the Company (including the Proposed Directors) in consultation with the Joint Bookrunners. A number of factors will be considered in determining the basis of allocation under the Placing, including the level and nature of demand for Ordinary Shares.

Upon accepting any allocation, prospective investors will be contractually committed to subscribe for the number of Ordinary Shares allocated to them at the Placing Price and, to the fullest extent permitted by law

will be deemed to have agreed not to exercise any rights to rescind or terminate, or withdraw from, such commitment.

The rights attaching to the Ordinary Shares will be uniform in all respects and the Ordinary Shares will form a single class for all purposes.

Each investor will be required to pay the Placing Price for the Ordinary Shares issued to such investor in such manner as shall be directed by the Joint Bookrunners.

Liability for stamp duty and stamp duty reserve tax is described in paragraph 17 (Taxation) of Part 20 of this document.

All Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price.

The Ordinary Shares allocated under the Placing will be underwritten, subject to certain conditions, by the Joint Bookrunners as described in paragraph 6 of this Part 8 and paragraph 16.1.1 of Part 20 of this document.

The Joint Bookrunners will solicit bids from prospective institutional investors to subscribe for Ordinary Shares in the Placing. Prospective investors will be required to specify the number of Ordinary Shares which they would be prepared to subscribe for at the Placing Price.

In the event that demand for the Ordinary Shares being offered exceeds the number of Ordinary Shares made available in the Placing, allocations may be scaled down in any manner at the Joint Bookrunners' discretion, in consultation with the Company (including the Proposed Directors), and investors under the Placing may be allocated Ordinary Shares having an aggregate value which is less than the sum applied for in the bookbuilding process. The Joint Bookrunners, in consultation with the Company (including the Proposed Directors) and the Principal Shareholders, may allocate such Ordinary Shares as they see fit (and there is no obligation to allocate such Ordinary Shares proportionately).

Completion of the Placing will be subject, *inter alia*, to each of the Company's, the Principal Shareholders' and the Joint Bookrunners' decisions to proceed with the Placing. It will also be subject to the satisfaction of conditions contained in the Placing Agreement including (i) execution of the Placing Memorandum; (ii) the Placing Memorandum including a number of Placing Shares sufficient to raise not less than £170 million of gross proceeds for the Company in the Placing following completion of the bookbuilding process; (iii) Admission occurring and (iv) the Placing Agreement not having been terminated. The Placing cannot be terminated once dealings in the Ordinary Shares have commenced. Further details of the Placing Agreement are set out in paragraph 6 of this Part 8 and paragraph 16.1.1 of Part 20 of this document.

Prospective investors in the Placing will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation. Prospective investors in the Placing will be contractually committed to subscribe for the number of Ordinary Shares allocated to them at the Placing Price, and to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment.

The Placing, the Acquisition and Admission will not proceed if the Placing is not fully subscribed following completion of the bookbuilding process.

4. LISTING, DEALING, SETTLEMENT ARRANGEMENTS AND CANCELLATION OF ADMISSION TO AIM

The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, including Admission occurring and becoming effective by 8.00 a.m. (London time) on 22 May 2014 or such later date as may be determined in accordance with such agreement, and to the Placing Agreement not having been terminated. Further details of the Placing Agreement are set out in paragraph 6 of this Part 8 and paragraph 16.1.1 of Part 20 of this document.

Application will be made to the Financial Conduct Authority for all the Ordinary Shares to be listed on the standard listing segment of the Official List and application has been made to the London Stock Exchange

for all the Ordinary Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities.

Upon Admission, the Company will cancel its Existing Ordinary Shares from trading on AIM and the standard listing on the Official List will become the Company's only listing.

It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 22 May 2014. It is intended that the issue of Ordinary Shares allocated to investors who wish to hold Ordinary Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Placing will be distributed from 29 May 2014 or as soon as practicable thereafter by first class post. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account will be at the risk of the person concerned.

In connection with the Placing, each of the Joint Bookrunners and any of their respective affiliates acting as an investor for its own account may take up the Ordinary Shares and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Company or related investments and may offer or sell such securities or other investments otherwise than in connection with the Placing. Accordingly, references in this document to the Ordinary Shares being offered or placed should be read as including any offering or placement of securities to each of the Joint Bookrunners and any of their respective affiliates acting in such capacity. The Joint Bookrunners do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

5. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. Upon Admission, the New Articles will permit the holding of Ordinary Shares under the CREST system. The Ordinary Shares are already admitted to CREST and will continue to be so following Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission can continue to take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Investors applying for Ordinary Shares in the Placing will receive Ordinary Shares in uncertificated form.

6. PLACING AGREEMENT

The Joint Bookrunners have entered into commitments under the Placing Agreement pursuant to which they will, subject to, *inter alia* (i) the Company, Uban&Civic Limited and the Joint Bookrunners executing and delivering the Placing Memorandum; (ii) Admission occurring by not later than 8.00 a.m. (London time) on 22 May 2014 or such later time and/or date as the Joint Bookrunners, the Company, the Principal Shareholders and the Enlarged Board may agree; (iii) there having occurred no material adverse event in relation to the Company or the Enlarged Group; and (iv) certain other customary conditions, severally procure subscribers for the Ordinary Shares to be issued by the Company under the Placing or, failing which, subscribe for themselves such Ordinary Shares, at the Placing Price. The Placing will be fully underwritten by the Joint Bookrunners upon execution of the Placing Memorandum (subject to the satisfaction of the conditions described above). Further details of the Placing Agreement are set out in paragraph 16.1.1 of Part 20 of this document.

The Company, the Principal Shareholders and the Joint Bookrunners expressly reserve the right to determine, at any time prior to Admission, not to proceed with the Placing.

7. LOCK-UP AND ORDERLY MARKET ARRANGEMENTS

Further details of the lock-up arrangements, which are to be entered into with certain members of the Enlarged Board and GIP U&C, are set out in paragraphs 16.1.1 and 16.1.2 of Part 20 of this document.

Further details of the orderly market arrangements entered into with Robert Adair and certain of his family trusts are set out in paragraph 16.1.3 of Part 20 of this document.

8. WITHDRAWALS

In the event that the Company is required to publish a supplementary prospectus, investors who have applied to subscribe for Ordinary Shares in the Placing will not have the right to withdraw their offer to subscribe for Ordinary Shares in the Placing because the Placing is not an offer to the public for the purpose of the Prospectus Directive.

9. SELLING AND TRANSFER RESTRICTIONS

The distribution of this document does not constitute an offer of, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful, and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document is not for distribution in or into, Canada, Japan or the Republic of South Africa (collectively, with the United States, the “Excluded Territories”) and, subject to certain exemptions, may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered directly or indirectly, within the Excluded Territories or in any other country where such offer, sale or other activity may lead to a breach under any law or regulatory requirements.

No action has been or will be taken by the Company or the Joint Bookrunners to permit a public offering of the Ordinary Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this document (or any other offering or publicity materials relating to the Ordinary Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this document, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

9.1 European Economic Area

In relation to each Relevant Member State, no Ordinary Shares have been offered or will be offered pursuant to the Placing to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Ordinary Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 150, or, if the Relevant Member State has not implemented the relevant provision of the Prospectus Directive, 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State subject to the consent of the Joint Bookrunners having been obtained; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially subscribes for any Ordinary Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression “offer to the public” in relation to any offer of Ordinary Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or purchase the Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC as amended, to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

In the case of a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, any Ordinary Shares acquired by it in the Placing must not be acquired on a non-discretionary basis on behalf of, nor be acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of securities to the public other than an offer or resale in a member state of the EEA which has implemented the Prospectus Directive to qualified investors.

9.2 United Kingdom

In the United Kingdom this document is being distributed to, and is directed only at, “qualified investors” (as defined in the Prospectus Directive) who are also (i) persons having professional experience in matters relating to investments falling within the definition “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”); or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Order, and other persons to whom it may lawfully be communicated. Any investment or investment activity to which this communication relates is only available to and will only be engaged in with such persons and persons within the United Kingdom who receive this document (other than persons falling within (i) and (ii) above) should not rely on or act upon this document.

9.3 United States

The Ordinary Shares have not been and will not be registered under the Securities Act, or qualified for sale under the laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred except (i) in the United States only to a person that the seller and any person acting on its behalf reasonably believes is a QIB as defined in and in accordance with Rule 144A; or (ii) in an offshore transaction within the meaning of and in accordance with Regulation S, in each case in accordance with any applicable securities laws of any state of the United States or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

In addition, until 40 days after the commencement of the Placing, an offer or sale of Placing Shares in the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A, or pursuant to another exemption from, or in a transaction not subject to, such requirements.

Each person subscribing for or purchasing Ordinary Shares will be deemed to have represented and agreed, on its behalf and on behalf of any investor accounts for which it is subscribing for or purchasing the Ordinary Shares, that none of the Company, the Joint Bookrunners, any of their respective affiliates or any person acting on its or their behalf, has made any representation to it with respect to the offering or sale of any Ordinary Shares, other than the information contained in this document, which document has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Ordinary Shares, has had access to such financial and other information concerning the Company, the Enlarged Group and the Ordinary Shares as it has deemed necessary in connection with its decision to purchase any of the Ordinary Shares, and that:

- (i) if subscribing for or purchasing Ordinary Shares pursuant to Regulation S (terms used in this paragraph having the same meanings as in Regulation S):
 - (a) it, and the person, if any, for whose account or benefit it is acquiring the Ordinary Shares, is acquiring the Ordinary Shares in an “offshore transaction” meeting the requirements of Regulation S and was located outside the United States at the time the buy order for the Ordinary Shares was originated and continues to be outside of the United States and has not purchased the Ordinary Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Ordinary Shares to any person in the United States;
 - (b) it is aware of the restrictions on the offer and sale of the Ordinary Shares pursuant to Regulation S described in this document and agrees to give any subsequent purchaser of such Ordinary Shares notice of any restrictions on the transfer thereof;
 - (c) the Ordinary Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S; and
 - (d) the Company shall not recognise any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restriction; and

- (e) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer.
- (ii) if subscribing for or purchasing Ordinary Shares within the United States (terms used in this paragraph having the same meanings as in Rule 144A):
 - (a) it is not an affiliate of the Company or a person acting on behalf of the Company or on behalf of such affiliate, and it is not in the business of buying and selling securities or, if it is in such business, it did not acquire the Ordinary Shares from the Company or an affiliate thereof in the initial distribution of the Ordinary Shares;
 - (b) it (x) is a QIB; (y) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (z) is acquiring such Ordinary Shares for its own account or for the account of a QIB, in each case for investment and not with a view to, or for offer or sale in connection with, any resale or distribution of the Ordinary Shares in violation of the Securities Act or any state securities laws;
 - (c) it is aware that the Ordinary Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
 - (d) it may offer, sell, pledge or otherwise transfer the Ordinary Shares only (1) to a person whom the seller and any person acting on the seller's behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A; (2) in accordance with Regulation S; (3) in accordance with Rule 144 under the Securities Act (if available); (4) in accordance with a registration statement that has been declared effective under the Securities Act; or (5) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state other jurisdiction of the United States and agrees to give any purchaser of such Ordinary Shares notice of any restrictions on the transfer thereof;
 - (e) the Ordinary Shares have not been offered to it by means of any "general solicitation" or "general advertising" within the meaning of Rule 501(c) of the Securities Act;
 - (f) the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of any Ordinary Shares;
 - (g) it will not deposit or cause to be deposited such Ordinary Shares into any unrestricted depositary receipt facility established or maintained by a depositary bank, so long as such Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
 - (h) any Ordinary Shares issued in certificated form, unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR QUALIFIED FOR SALE UNDER THE LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A)(1) TO A PERSON WHO THE SELLER AND ANY PERSON ACTING ON THE SELLER'S BEHALF REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OR BENEFIT OF A "QUALIFIED INSTITUTIONAL BUYER" IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT; (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE); OR (4) IN ACCORDANCE WITH A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT; AND (B) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK;

- (i) the Company shall not recognise any offer, sale, pledge or other transfer of the Ordinary Shares made other than in compliance with the above-stated restrictions; and
- (j) it acknowledges that the Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- (iii) it is purchasing the Ordinary Shares for its own account, or for one or more investor accounts for which it is acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any state securities laws, subject to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and subject to its or their ability to resell such Ordinary Shares pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

9.4 Australia

This document is not a prospectus or other disclosure document, or a product disclosure statement, under Chapter 6D or Part 7.9, respectively, of the Australian Corporations Act 2001 (Cth) (“Corporations Act”), has not been lodged with the Australian Securities and Investments Commission and does not purport to include the information required of a prospectus or other disclosure document, or a product disclosure statement, under Chapter 6D or Part 7.9, respectively, of the Corporations Act. Accordingly (i) the Placing may only be made to persons to whom it is lawful to offer those shares without disclosure to investors under Chapter 6D of the Corporations Act under one or more of the exemptions set out in section 708 of the Corporations Act, (ii) this document may only be made available in Australia to the persons as set forth in clause (i) above, (iii) each investor must warrant and agree that in accepting the offer of Ordinary Shares under this document, the investor is a person referred to in clause (i) above and (iv) unless otherwise permitted under the Corporations Act, the investor agrees not to sell or otherwise dispose of any Ordinary Shares within Australia within 12 months after the date of their issue to the investor.

Neither the Company nor the Joint Bookrunners are licensed in Australia to provide financial product advice in relation to the Ordinary Shares and any advice contained in this document is general advice only and does not take into account any person's objectives, financial situation or needs. Before acting on any such advice, investors should read this document in full and consider the appropriateness of the advice, taking into account their own objectives, financial situation and needs (including financial and tax needs) and seek independent professional advice from their financial or other professional adviser before deciding whether to apply for Ordinary Shares under the Placing. No cooling-off period applies in respect of the acquisition of Ordinary Shares.

9.5 Switzerland

The Ordinary Shares may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this document nor any other offering or marketing material relating to the Ordinary Shares constitutes a prospectus as such term is understood pursuant to article 652a of the Swiss Federal Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd., and neither this document nor any other offering or marketing material relating to the Ordinary Shares may be publicly distributed or otherwise made publicly available in Switzerland.

The distribution of the Ordinary Shares in Switzerland will be exclusively made to, and directed at, qualified investors (the “Qualified Investors”), as defined in the Swiss Collective Investment Schemes Act of 23 June 2006, as amended and its implementing ordinance.

10. TERMS AND CONDITIONS OF THE PLACING

These terms and conditions apply to investors agreeing to subscribe for or purchase Ordinary Shares under the Placing. Each investor agrees with each of the Company and the Joint Bookrunners to be bound by these terms and conditions as being the terms and conditions upon which Ordinary Shares will be issued under the Placing.

10.1 Agreement to subscribe for Ordinary Shares

Conditional on (i) the execution of the Placing Memorandum and the Placing Memorandum including a number of Placing Shares sufficient to raise not less than £170 million of gross proceeds for the Company

in the Placing following completion of the bookbuilding process; and (ii) Admission occurring on or prior to 22 May 2014 (or such later date as the Joint Bookrunners, the Company, the Principal Shareholders, and the Enlarged Board may agree); and (iii) the investor being allocated Ordinary Shares, each investor agrees to become a member of the Company and agrees to subscribe for Ordinary Shares at the Placing Price. The number of Ordinary Shares allocated to such investor under the Placing will be in accordance with the arrangements described in paragraph 3 of this Part 8. To the fullest extent permitted by law, each investor acknowledges and agrees that it will not be entitled to exercise any rights to rescind or terminate or, subject to any statutory rights, to withdraw an application for Ordinary Shares in the Placing, or otherwise to withdraw from, such commitment.

10.2 Payment for Ordinary Shares

Each investor undertakes to pay the Placing Price for the Ordinary Shares issued to or subscribed for by such investor in such manner as shall be directed by the Joint Bookrunners. In the event of any failure by any investor to pay as so directed by the Joint Bookrunners, the relevant investor will be deemed thereby to have appointed the Joint Bookrunners or any nominee of the Joint Bookrunners to sell (in one or more transactions) any or all of the Ordinary Shares in respect of which payment will not have been made as directed by the Joint Bookrunners.

10.3 Representations and warranties

Each investor and, in the case of sub-paragraphs (j) and (q) below, any person confirming an agreement to subscribe for or purchase Ordinary Shares on behalf of an investor or authorising the Joint Bookrunners to notify the investor's name to the Registrars, represents, warrants and acknowledges to each of the Company and the Joint Bookrunners that:

- (a) the content of this document is exclusively the responsibility of the Company, the Directors and the Proposed Directors and that neither the Joint Bookrunners nor any person acting on their behalf is responsible for or will have any liability for any information, representation or statement contained in this document or any information previously published by or on behalf of the Company or any member of the Terrace Hill Group or by or on behalf of Urban&Civic or any member of the Urban&Civic Group and will not be liable for any decision by an investor to participate in the Placing based on any information, representation or statement contained in this document or otherwise;
- (b) in agreeing to subscribe for Ordinary Shares under the Placing, the investor is relying on this document and any supplementary prospectus that may be issued by the Company, and not on any other information or representation concerning the Enlarged Group, the Ordinary Shares or the Placing. Such investor agrees that none of the Company, the Joint Bookrunners nor any of their respective officers, partners or directors will have any liability for any such other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any such other information or representation. This paragraph 10.3(b) of this Part 8 will not exclude any liability for fraudulent misrepresentation;
- (c) the Joint Bookrunners are not making any recommendations to investors or advising any of them regarding the suitability or merits of any transaction they may enter into in connection with the Placing, and each investor acknowledges that participation in the Placing is on the basis that it is not and will not be a client of any of the Joint Bookrunners and that the Joint Bookrunners are acting for the Company and no one else, and they will not be responsible to anyone else for the protections afforded to their respective clients, and that the Joint Bookrunners will not be responsible to anyone other than the Company for providing advice in relation to the Placing, the contents of this document or any transaction, arrangements or other matters referred to herein, and the Joint Bookrunners will not be responsible to anyone other than the relevant party to the Placing Agreement in respect of any representations, warranties, undertakings or indemnities contained in the Placing Agreement or for the exercise or performance of the Joint Bookrunners' rights and obligations thereunder, including any right to waive or vary any condition or exercise any termination right contained therein;
- (d) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to subscribe for or purchase Ordinary Shares, such investor has complied with all such laws and none of the Company or the Joint Bookrunners will infringe any laws outside the United Kingdom as a result of such investor's agreement to subscribe for or purchase Ordinary Shares or any actions arising from such investor's rights and obligations under the investor's agreement to subscribe for or purchase Ordinary Shares and under the New Articles (and, in making this representation and warranty, the

investor confirms that it is aware of the selling and transfer restrictions set out in paragraph 9 of this Part 8);

- (e) it understands that no action has been or will be taken in any jurisdiction by the Company or any other person that would permit a public offering of the Ordinary Shares, or possession or distribution of this document, in any country or jurisdiction where action for that purpose is required;
- (f) if the investor is in any EEA state which has implemented the Prospectus Directive it is: (i) a legal entity which is a qualified investor as defined in the Prospectus Directive; or (ii) otherwise permitted by law to be offered and sold Ordinary Shares in circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive or other applicable laws;
- (g) the investor is not a national, resident or citizen of Canada, Japan or the Republic of South Africa or a corporation, partnership or other entity organised under the laws of Canada, Japan or the Republic of South Africa that the investor will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares in Canada, Japan or the Republic of South Africa or to any national, resident or citizen of Canada, Japan or the Republic of South Africa and the investor acknowledges that the Ordinary Shares have not been and will not be registered under the applicable securities laws of Canada, Japan or the Republic of South Africa and that the same are not being offered for subscription or sale, and may not, directly or indirectly, be offered, sold, transferred or delivered, in Canada, Japan or the Republic of South Africa;
- (h) the investor is participating in the Placing in compliance with the selling and transfer restrictions set out in paragraph 9 of this Part 8, including the representations and acknowledgements contained therein. The Ordinary Shares have not been and will not be registered under the Securities Act, or qualified for sale under the laws of any state or other jurisdiction of the United States, and may not be offered, sold, pledged or otherwise transferred except (i) in the United States only to a person that the seller and any person acting on its behalf reasonably believes is a QIB as defined in and in accordance with Rule 144A; or (ii) in an offshore transaction within the meaning of and in accordance with Regulation S, in each case in accordance with any applicable securities laws of any state of the United States or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws;
- (i) the investor is a person to whom it is lawful to offer the Ordinary Shares without disclosure to investors under Chapter 6D of the Corporations Act under one or more of the exemptions set out in section 708 of the Corporations Act, and unless otherwise permitted under the Corporations Act, agrees not to sell or otherwise dispose of any Ordinary Shares within Australia within 12 months after the date of their issue to the investor;
- (j) the investor is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer, registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by it or any other person on the acquisition by it of any Ordinary Shares or the agreement by it to subscribe for any Ordinary Shares;
- (k) in the case of a person who confirms to any Joint Bookrunner, on behalf of an investor, an agreement to subscribe for or purchase Ordinary Shares and/or who authorises the Joint Bookrunners) to notify the investor's name to the Registrars, that person represents and warrants that he, she or it has authority to do so on behalf of the investor;
- (l) the investor acknowledges that its agreement to subscribe for Ordinary Shares is not by way of acceptance of a public offer made in this document but is by way of a collateral contract and, accordingly, section 87Q of FSMA does not entitle the investor to withdraw its acceptance in the event that the Company publishes a supplementary prospectus in connection with the Placing and/or Admission. Without prejudice to such acknowledgement, if the investor is so entitled to withdraw, by accepting an allocation of Ordinary Shares in the Placing, the investor will be deemed to have irrevocably agreed (if applicable) not to exercise any such rights and to confirm its acceptance of the allocation on the same terms immediately after any such right to withdraw arises;
- (m) the investor has complied with its obligations in connection with money laundering and terrorist financing under the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 (the "Regulations") and, if it is making payment on behalf of a third party, it has obtained and recorded satisfactory evidence to verify the identity of the third party as required by the Regulations;

- (n) the investor is not, and is not applying as nominee or agent for, a person which is, or may be, mentioned in any of sections 67, 70, 93 and 96 of the Finance Act 1986 (depository receipts and clearance services);
- (o) if the investor is in the United Kingdom, it is: (i) a person having professional experience in matters relating to investments who falls within the definition of “investment professionals” in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”); or (ii) a high net worth body corporate, unincorporated association or partnership or trustee of a high value trust as described in Article 49(2) of the Order, or is otherwise a person to whom an invitation or inducement to engage in investment activity may be communicated without contravening section 21 of FSMA;
- (p) if they are acquiring Ordinary Shares as a fiduciary or agent for one or more investor accounts, they represent that they have sole investment discretion with respect to each such account and they have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account;
- (q) each investor in a Relevant Member State who subscribes for any Ordinary Shares under the Placing contemplated hereby will be deemed to have represented, warranted and agreed with each of the Joint Bookrunners and the Company that: (i) it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and (ii) in the case of any Ordinary Shares subscribed for by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (A) the Ordinary Shares subscribed for by it in the Placing have not been subscribed for on behalf of, nor have they been subscribed for with a view to their offer or resale to, persons in any relevant member state other than qualified investors, as that term is defined in the Prospectus Directive, or in other circumstances falling within Article 3(2) of the Prospectus Directive and the prior consent of the Joint Bookrunners has been given to the offer or resale; or (B) where Ordinary Shares have been subscribed for by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Ordinary Shares to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of this provision, the expression an “offer” in relation to any of the Ordinary Shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to subscribe for or purchase the Ordinary Shares, as the same may be varied in that relevant member state by any measure implementing the Prospectus Directive in that Relevant Member State;

- (r) the investor has the right, power and authority, and has taken all action necessary, to subscribe for Ordinary Shares under the Placing and to execute, deliver and exercise his rights, and perform his obligations, under any contracts resulting therefrom and that he is not a person otherwise prevented by legal or regulatory restrictions from applying for Ordinary Shares or acting on behalf of any such person on a non-discretionary basis;
- (s) in the case of a person who confirms to any Joint Bookrunner, on behalf of an investor which is an entity other than a natural person, an agreement to subscribe for Ordinary Shares and/or who authorises the notification of such investor’s name to the Registrars, that person warrants that he, she or it has authority to do so on behalf of the investor; and
- (t) the Company and the Joint Bookrunners will rely upon the truth and accuracy of the foregoing representations, warranties and undertakings.

10.4 Supply and disclosure of information

If the Company or the Joint Bookrunners or any of their agents request any information about an investor’s agreement to subscribe for Ordinary Shares, such investor must promptly disclose it to them and ensure that such information is complete and accurate in all respects.

10.5 Miscellaneous

- (a) The rights and remedies of the Company and the Joint Bookrunners under these terms and conditions are in addition to any rights and remedies which would otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

- (b) Each investor agrees to be bound by the New Articles (as amended from time to time) once the Ordinary Shares which such investor has agreed to subscribe for have been issued or transferred to such investor.
- (c) The contract to subscribe for Ordinary Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, English law. For the exclusive benefit of the Company and the Joint Bookrunners, each investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an investor in any other jurisdiction.
- (d) In the case of a joint agreement to subscribe for Ordinary Shares, references to an investor in these terms and conditions are to each of such investors and any investors' liability is joint and several.

The Company and the Joint Bookrunners expressly reserve the right to modify the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined.

PART 9

OVERVIEW OF THE ENLARGED GROUP'S MARKET

1. UK ECONOMY

As a developer of both strategic residential land and commercial properties, the Enlarged Group's business and its related markets are impacted by similar key macro-economic factors. Key drivers for sentiment and investment within each real estate sector are the UK's GDP and employment levels. Following an extended recession and, by historical averages, a slow recovery, a number of key indicators suggest that recovery in the UK economy is accelerating. UK GDP grew by 0.7 per cent. in the final quarter of 2013, taking economic growth to 1.9 per cent. between calendar years 2012 and 2013 which is the strongest year of reported growth since 2007. This growth has been matched by improvements in employment statistics, with the unemployment rate falling from 8.4 per cent. in the three months to November 2011 to 7.2 per cent. in the three months to January 2014.

Whilst this growth is welcome, some concerns remain as to the sustainability of the economic recovery and the corresponding recoveries in the residential and commercial real estate markets. Both markets are potentially vulnerable to threats from rising government bond yields, the health of the UK banking market, and particularly the availability and pricing of debt to purchasers and investors of residential and commercial real estate. The Enlarged Board believes that imbalances between housebuilding supply and demand, and the continued attractiveness of the UK for retailers, corporate occupiers and students, will support future economic growth and provide attractive opportunities for strategic residential and commercial real estate development.

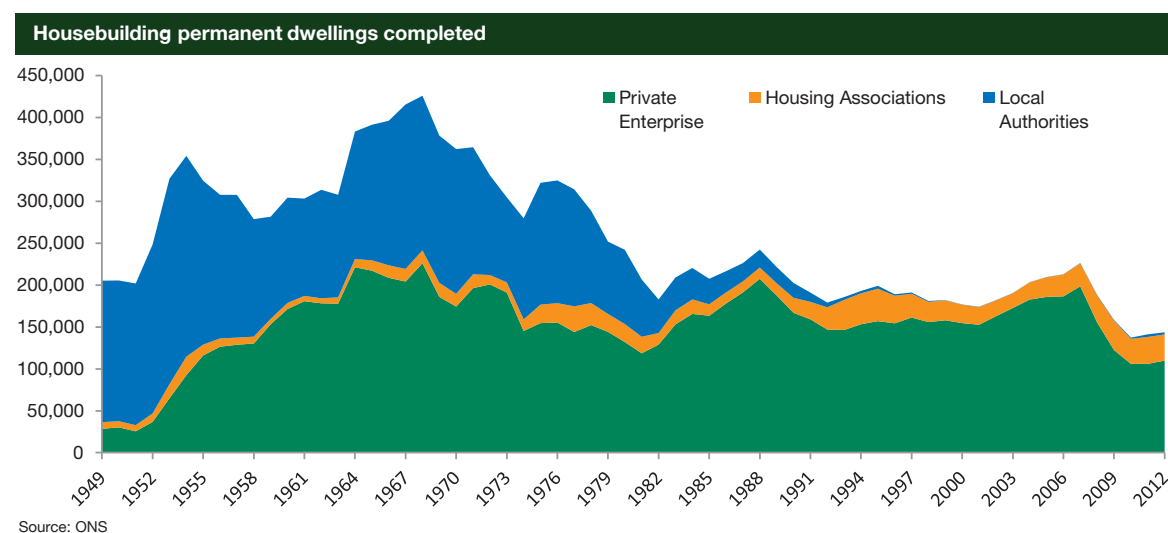
2. STRATEGIC LAND

2.1 Overview

The Enlarged Group will generate a significant amount of its revenue from the sale of serviced land parcels to housebuilders. One of the most significant underlying causes for real house price and housing land price growth in the UK over the past 50 years has been the mismatch between the growth in demand for houses due to demographic and social factors and growth in supply.

The current UK housing stock totals approximately 28 million dwellings, equating to 2.2 people per dwelling in population terms. In the last five years approximately 0.9 million dwellings (both new build and existing houses) were sold per year on average, representing approximately 3 per cent. of the total housing stock; 17 per cent. being supplied through building new houses.

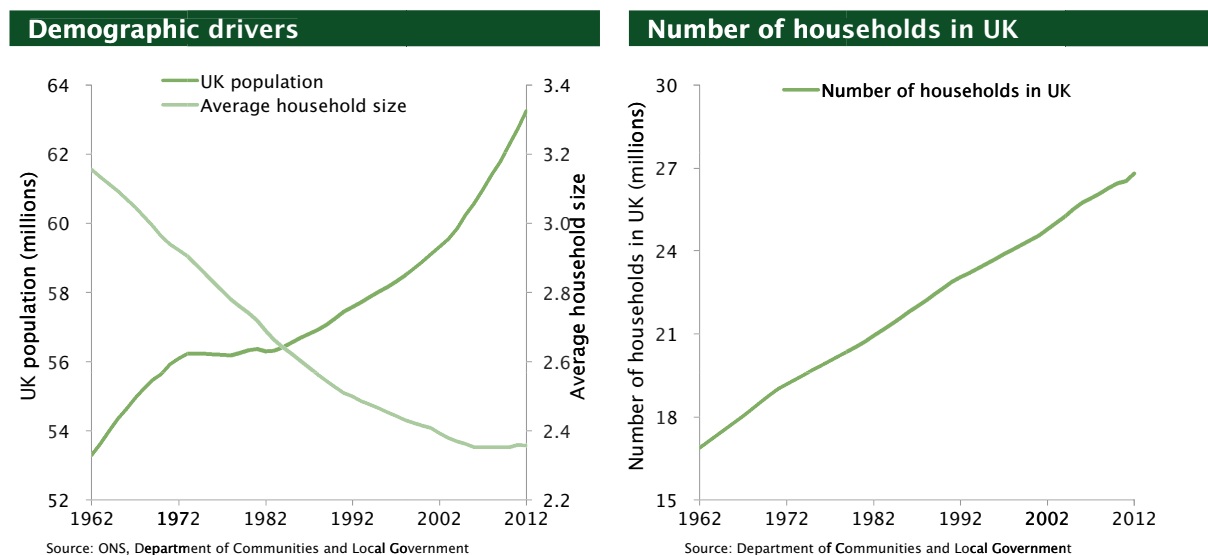
Housebuilding activity across the UK has fallen significantly since the peak in the 1960s. In the 20 or so years after the Second World War, local authorities built around 160,000 houses per year on average, about half of all housebuilding activity. By the 1990s local authorities had almost stopped building homes, leaving housing associations to fill only a small proportion of this gap with the private housebuilders building at similar levels to those delivered for the previous 40 years.



Between 1998 and 2008, housing starts and completions in England have operated in a relatively narrow band of between 30,000 and 50,000 per quarter, up until 2008 when the economic crisis took hold which saw delivery slump to 10,000 units per quarter. This has recovered somewhat and in the 12 months ended 31 December 2013 there were approximately 110,000 new build completions.

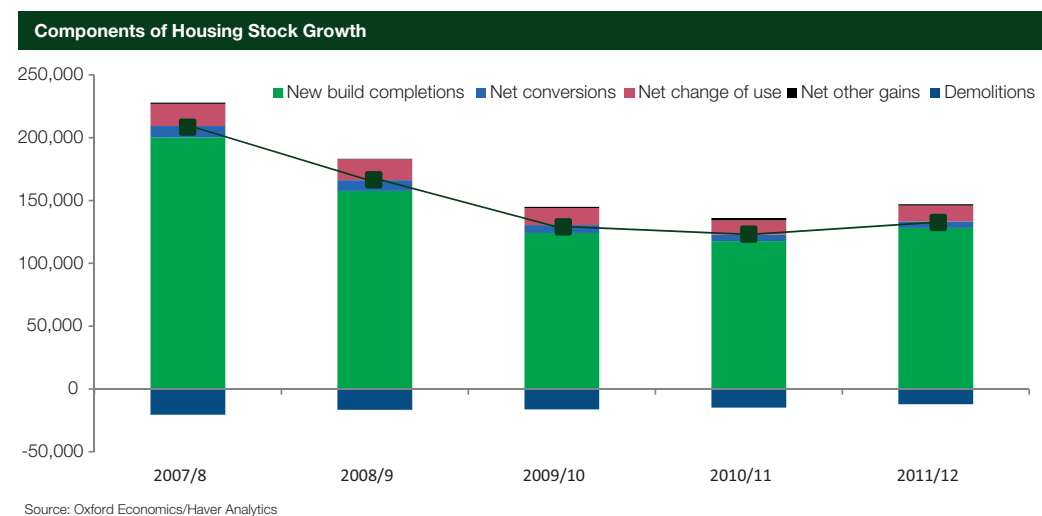
2.2 Household formation

The UK population has grown at an average rate of 0.3 per cent. per year since the 1960s, and accelerated from the early 1980s onwards driven firstly by “baby boomers” having children and more recently by inward immigration. Coupled with a trend towards smaller households by virtue of lower cohabitation and an increasing life expectancy, the number of UK households has increased by around 50 per cent. since the 1960s.



2.3 Housing supply

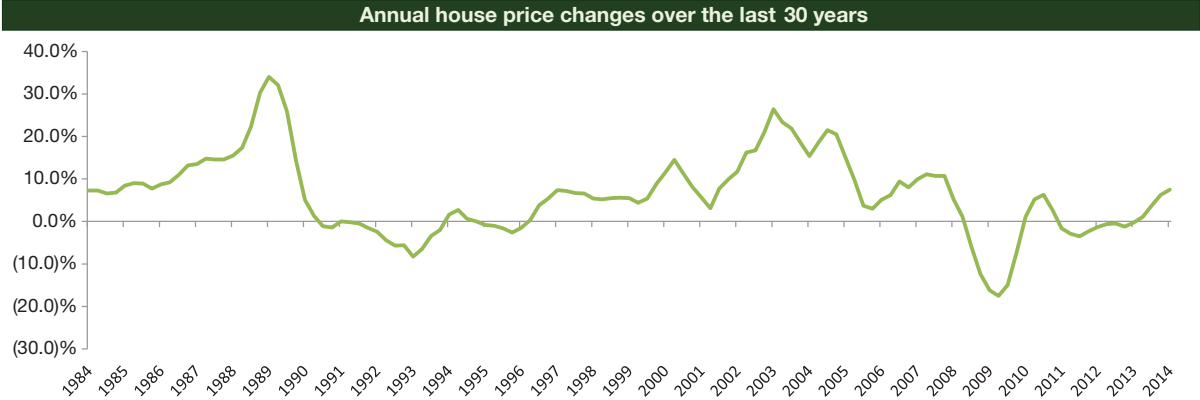
Housing supply is driven by a number of key factors: availability of land suitable for development (explained further below), working capital and funding availability to housebuilders and, in part at least, the reaction of housebuilders to changes in real house prices. The financial position of larger housebuilders has turned around dramatically since 2008 to the point where significant dividends have been declared and paid. Although the housing stock and more importantly, the growth in housing stock has not kept pace with demand, housebuilders deliver a significant proportion of housing stock growth and therefore play a crucial role in helping to satisfy the demand for homes.



2.4 House prices

Over the last 30 years unadjusted UK house price inflation has averaged 6 per cent. per annum¹, although within this period there have been periods of significant house price volatility. Since 1984, the length of house price cycles has increased and the peaks and troughs have become more pronounced. RPI adjusted house prices grew in real terms 9 per cent. per year on average from 1985 to 1989, before falling by a similar amount for the following four years. An even greater degree of volatility has been observed in the most recent house price cycle, with RPI adjusted prices growing 13 per cent. on average from 2000 to 2004, before falling at 9 per cent. per annum per year in 2008 and 2009.

Having secured two key strategic residential land sites at which it believes to be attractive entry prices, the Enlarged Board believes that the Enlarged Group is well positioned to take advantage of current HPI forecasts and to be protected from any potential future market downturns.



Source: Halifax HPI data

During the period between 2009 and 2012, UK house prices were impacted heavily by the global financial crisis causing a significant period of volatility. In the 12 months to April 2009, UK house prices fell at an annual rate of 17.5 per cent.² recovering to positive house price performance by the start of 2010. The volatility continued through to the start of 2013, with annual UK house price changes ranging between +6.3 per cent. and -3.5 per cent. with increased variance across the regions.

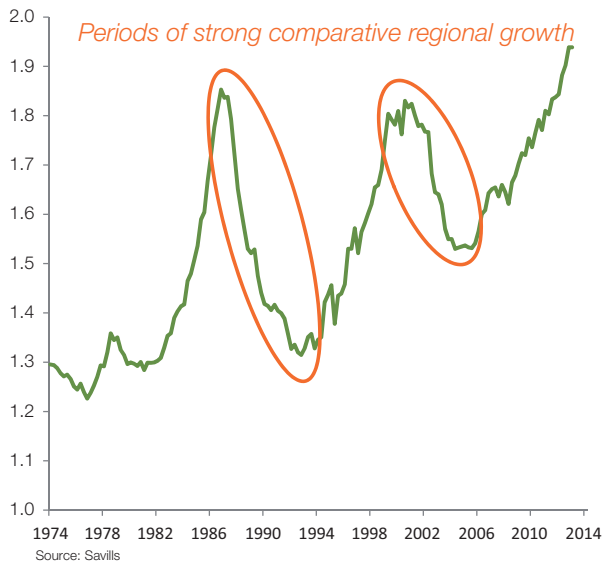
In the 12 months to December 2013, the average UK house price increased by 5.5 per cent. This growth has been led by London where house prices increased by 12.3 per cent. over the same period.

Historically, prolonged periods of strong performance in the London market, have been followed by significant regional outperformance. This is reflected in the five year HPI forecasts from Savills for the period 2014 to 2018 which predict the east, east Midlands, south-east and south-west regions to offer superior house price growth to London over that time frame. Alconbury Weald and Rugby, are both situated in areas with comparatively high HPI forecasts.

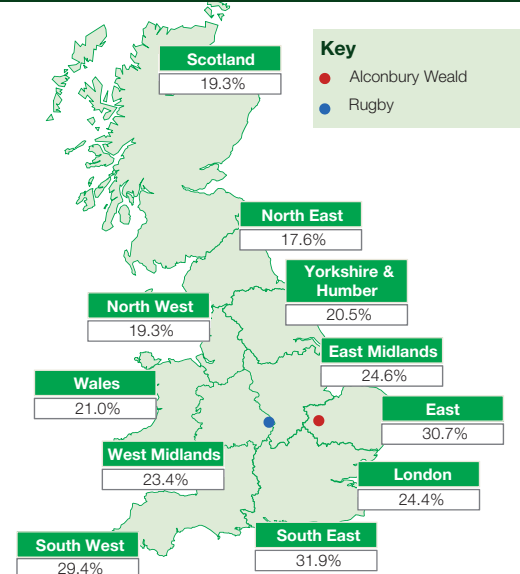
¹ Halifax House Price Index, February 2014

² Halifax HPI data from chart above

London house price as multiplier of UK house price



Five year house price forecasts – 2014-2018

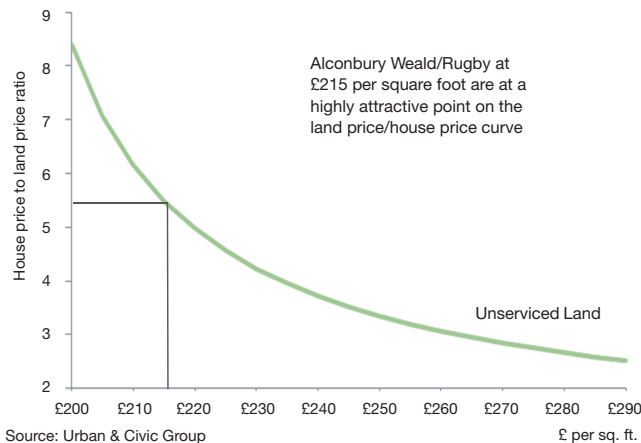


Source: Savills Residential Property Focus Q4 2013

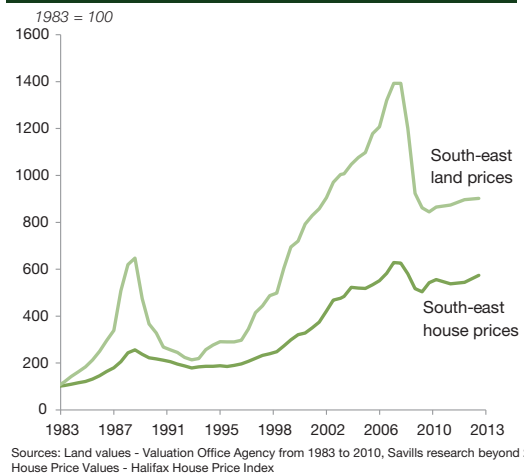
2.5 Land prices

Historically, inflation in residential serviced land prices has exceeded HPI, which is largely a consequence of operational leverage within land. This leverage effect is driven by the semi-fixed nature of the development margins targeted by housebuilders and the construction costs of delivering houses and infrastructure, which results in changes in house prices having an exponential impact on land prices. This impact is significantly greater for unserviced land than serviced land, and at the Enlarged Group’s targeted price point of approximately £200 – £250 per sq. ft. is such that a small change in house prices has a large effect on land prices.

Operational leverage effect



Indexed house prices vs. land prices - last 30 years



Illustrative example of 1,150 sq. ft. 3 bed house	Market value (£k)	Impact from 10% HPI	Market value (£k)
Average sales price	247 (@ £215 per sq. ft.)	➔ 10% ➔	272 (@ 237 per sq. ft.)
Margin ¹	(49)		(54)
Construction cost	(98) (@ £85 per sq. ft.)		(98) (@ £85 per sq. ft.)
Serviced land value	100	➔ 20% ➔	120
Infrastructure cost	(62)		(64)
Unserviced land value	38	➔ 50% ➔	56

¹ Housebuilder margin of 20% of sales price

2.6 Planning

Development policy

One of the key factors affecting the supply of new-build housing is the availability of land suitable for development and the granting of viable and implementable planning consents. The planning system in England operates a plan-led system to control the use of land through designation. Some designations create absolute prohibitions such as national parks whilst others are administrative and may change from one plan period to another. Planning consent will generally be granted if in accordance with a designation and refused if not, although there is some flexibility to take into account other material considerations which may justify a decision contrary to the designation.

Prior to 2010 there were two main tiers of plan – the regional and the local. In terms of housing delivery, the regional tier set housing quantum and general areas for development linked to strategic infrastructure delivery. The local tier then sought to allocate that quantum to specific sites. This top down approach was criticised for failing to take account of local views and was highly unpopular. Under the banner of their localism agenda this regional tier was abolished three years ago by the UK Coalition Government.

The Government established the National Planning Policy Framework (“NPPF”), a policy of local self-determination which is highly supportive of strategic site delivery and has been the major catalyst for change. Under the NPPF, local planning authorities are now required to plan positively for growth in their areas, which includes demonstrating a five year supply of deliverable housing land. If they have put in place a local plan which does this, is supported by a robust evidence base and has been subject to public consultation and administrative review then the national Government will support their designations and prohibit development on appeal. Where however, the local plan is completely absent (a number of local authorities still do not yet have a local plan in place), not up to date or silent on relevant matters, there is a presumption within the NPPF in favour of the development applied for going ahead.

Identifying future housing need is a central part of a robust evidence base and to put in place a credible plan, local planning authorities are therefore having to find sites for significant numbers of new homes. Spatially, these can either be accommodated on a large number of small sites or on a small number of large sites and politically local authorities are realising that it is easier to address the impacts of a larger site once than deal with the same issues repeatedly.

Furthermore, where the principle of development has been established on a large site then it is logical for the local planning authority to maximise its development potential rather than limit housing numbers as this addresses more of their identified housing need.

The promotion of a large site is a time consuming and expensive process but once a site is allocated by planners for housing development, deliverability is critical for the local planning authority as their housing supply is tied up with the success of the site. As such, the Enlarged Board believes local planning authorities favour sites promoted by landowners who have a clear track record of delivery.

Development control

The planning consent process is separate from the planning policy process but, in most cases, is also regulated by the local planning authority.

There are two main types of planning consent which may be granted by a local planning authority: detailed or outline. A detailed consent requires the planning authority to approve all the details necessary to start work on the development immediately. For large scale sites, however, it is normal to apply for outline planning consent which establishes the principle of the proposed development. In order to start building under an outline planning consent, further approvals for reserved matters will be sought in accordance with the outline planning consent. This two stage process provides flexibility for the delivery of a large scale site over a number of years without specifying in too much detail at the outset.

The information requirements for an application for outline planning consent are extensive and an experienced consultant team will generally spend at least a year carrying out the necessary surveys, technical analysis and modelling in order to establish the case for the proposed development. During this time it is important to build strong relationships with key stakeholders in the area of the development and to identify local issues which may arise. Through this process of feedback and refinement, the development proposals can be tailored to address matters either by minimising the impact or by creating a benefit.

Once the outline planning application is submitted, the local planning authority must review the technical information and carry out its own official consultation on the proposals. It is not unusual for a local planning authority to take between six months and a year for this stage in respect of large complex applications. Once the issues have been settled, the chief planning officer prepares a detailed report setting out the application, the comments received and the issues considered, and concludes by making a recommendation as to whether the application should be granted.

For large scale planning applications, the formal decision of the local planning authority is taken by a committee of elected members. The committee considers the chief planning officer's report and debates the matter in an open meeting to which interested parties can make short statements of objection or support. If the committee decides in favour of the development, then it will make a resolution to grant consent subject to the conclusion of necessary planning conditions and obligations. The resolution to grant is a formal decision of the local planning authority which authorises the chief planning officer to issue the planning consent once the requirements of the resolution have been met.

It is normal to delegate the approval of the conditions and obligations back to the chief planning officer. Planning conditions are contained within the planning consent document and create a series of more technical requirements that the development must comply with. Planning obligations are contained in a separate legal agreement, commonly known as a Section 106 Agreement, and generally relate to community facilities, education provision, affordable housing delivery and other financial matters. It is normal for the conditions and the obligations to be phased throughout the development and triggered by the occurrence of specific events such as the number of housing units occupied. The local planning authority has the ability to enforce against the land owners for non-delivery of obligations or the failure to comply with conditions.

Once both the conditions and obligations are agreed and in the case of the obligations, the Section 106 Agreement has been signed by the local planning authority and those with a legal interest in the site, the outline planning consent will be issued. This then allows the developer to seek approval for the detailed parts of the site by making applications for reserved matters in relation to the delivery of infrastructure, housing and employment parcels, green space and community facilities. The local planning authority considers the application against the outline planning consent and where the two are consistent then there is a clear presumption in favour of approval.

For large scale sites the applications will be brought forward in a series of phases which will either have been pre-identified within the outline planning consent or can be defined as development proceeds. In practice, infrastructure will be delivered early on in the delivery of the development and is likely to be the first reserved matters application, with housing and employment parcels forming part of the wider framework once established. Schools, community facilities, highway works and other requirements will come forward as and when required under the conditions and obligations.

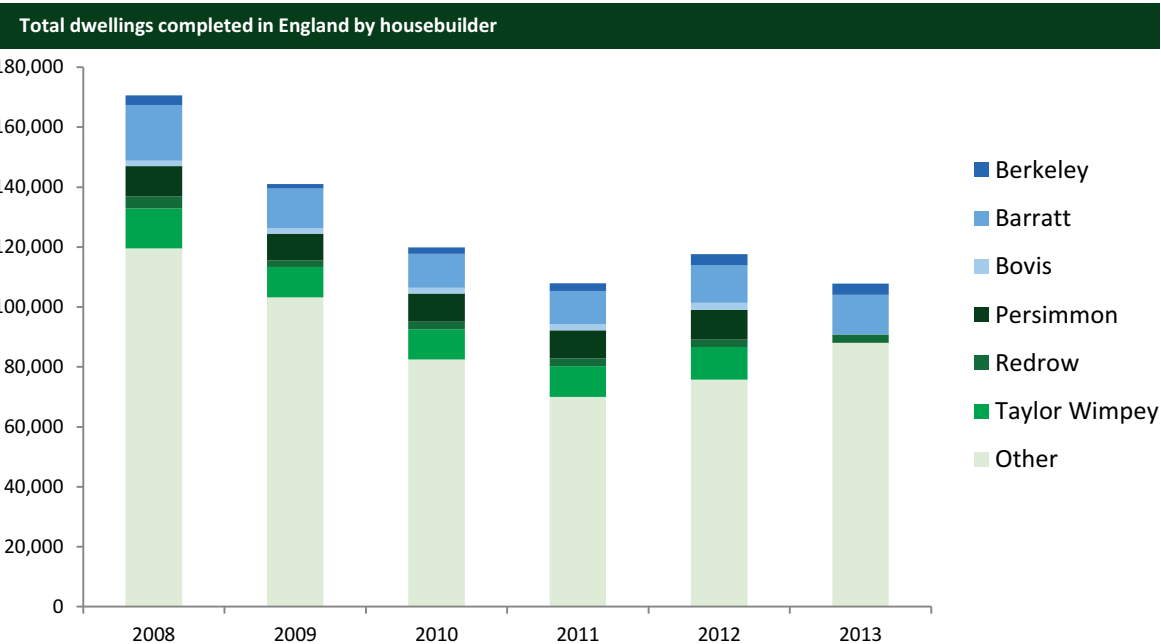
The local planning authority will not be the final decision maker in two main circumstances. The first is where the local planning authority has refused planning consent, in which case the applicant has the right to appeal the decision. In this situation the Government appoints a planning inspector to determine the appeal which for large scale consents he will do after holding an inquiry to which all relevant parties are entitled to make representations. The second is where the Government decides that the application is of such strategic importance and/or impact that it should be "called in" for the relevant Government minister to decide. Certain applications are automatically referred to the Government due to the scale and/or consistency with the local plan but only a relatively small number are actually "called in". If they are called in, then the Government will also appoint a planning inspector but following the inquiry the inspector will make a recommendation for the Government to consider before making its own final decision.

2.7 Customers – UK housebuilders

As the UK's housing market emerges from the 2008 economic downturn, a number of listed housebuilders are announcing results which show increased revenue, profit and profit margins as well as improved cashflows and consequently lower leverage. Buoyed by increased mortgage availability from the banks and the Government's "Help to Buy" scheme, launched last year to free up lending to home buyers, house prices in England rose by an average of 8.4 per cent. in 2013, and housebuilders are reaping the benefit from this upward trend, achieving better profitability through selling homes built on land that they bought cheaply or had impaired in their financial statements during the financial crisis. Labour shortages and planning restrictions have been cited as possible limits to growth going forwards.

A number of housebuilders have either started to declare dividends after a significant break or have made public declarations about either paying out cash to shareholders or accelerating plans to do so. For example, Barratt Homes, Britain’s largest housebuilder by volume, recently announced that it expected to pay out around a third of earnings in dividends over the three years to 2016. The improved financial position of the housebuilding industry has fuelled activity across the sector. Recent government data showed that construction started on more homes in England last year than at any point since 2007.

In February 2014, Savills¹ reported that “housebuilders looking to secure a five year pipeline are pushing up the value of residential development land at a rate not seen since 2010 [with] price growth continu[ing] to be led by the South East [and] greenfield values increased by 5.8 per cent. in Q4, 8.1 per cent. between June and December”. “Improved confidence in the continued return towards functioning markets has also pushed up the value of large sites, with 30-plus acre permissioned sites outperforming smaller one and five acre sites last year. The value of 30 acre permissioned sites increased by 7.5 per cent. in 2013 (up 3.7 per cent. in Q4 alone), compared to 5.8 per cent. and 6.4 per cent. for one and five acre sites, respectively. Larger permissioned sites in better markets (with capacity for up to 200 units) have been targeted by housebuilders and developers looking to replenish their supply pipeline, in order to continue building out at the higher rates that are now being achieved”.



Source: Department of Communities and Local Government; annual accounts of the companies listed.

In March 2014 the Government published its budget which sought to further support the housing market through a number of measures. The Government specifically confirmed that the Help to Buy equity loan scheme, which was due to cease in March 2016, is expected to have helped at least 74,000 households buy a new-build home by that time. As a consequence of this success, the scheme has been extended to 2020 with the specific intention of helping a further 120,000 households purchase a home and to continue to support housebuilding as the market improves.

3. COMMERCIAL DEVELOPMENT

3.1 UK commercial real estate development

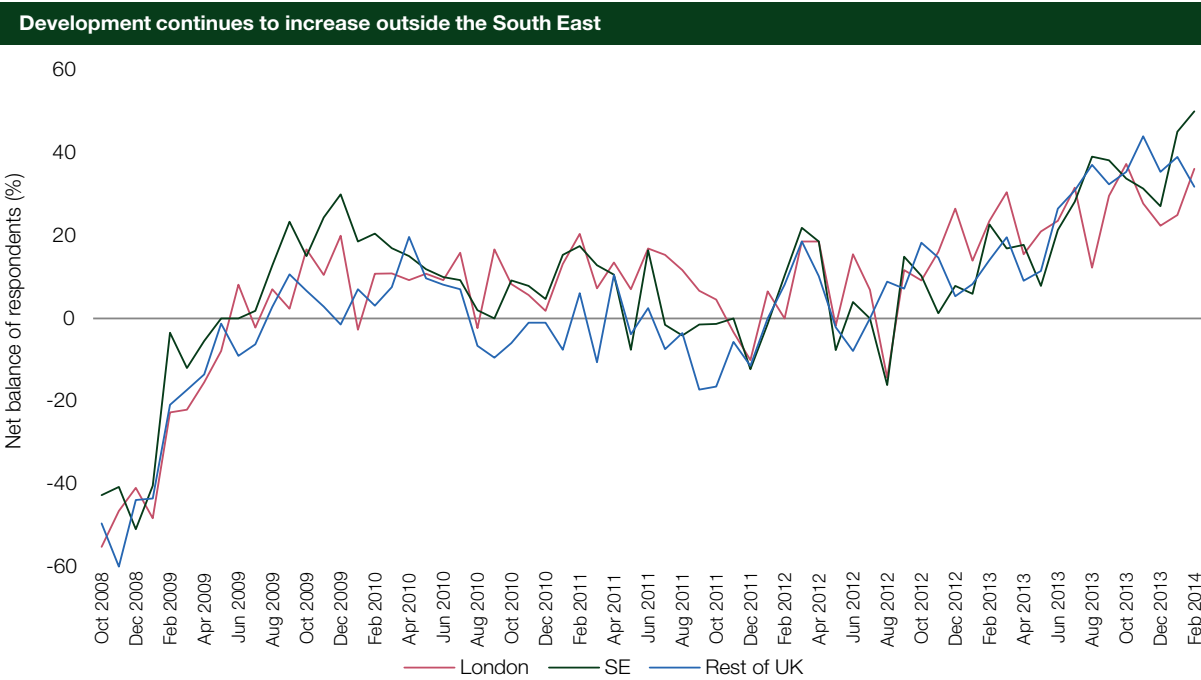
Performance of UK commercial real estate is highly correlated to that of the wider UK economy and the availability of debt and equity, with development activity even more highly correlated to wider economic sentiment. The UK commercial real estate market experienced a significant level of distress as a direct consequence of the recession, and recovery in both investment and occupational markets has been subdued as a result of continuing economic uncertainty and concerns over the Eurozone. Falling tenant demand from 2008 to 2011 led to static or falling rental values, increased incentives to attract or retain tenants and a resultant reduction in capital values. Recovery in the economy was unexpectedly slow, with growth gradually returning to the UK markets during 2013. Increased confidence in the sustainability of

¹ “Housebuilder appetite for land pushes up values across the UK”, Savills, 14 February 2014

improvements in the UK economy is evidenced by levels of investment into UK commercial property, with totals for 2013 estimated to be 25 per cent. higher than those seen in 2012.

Since 2011 there has been generally more positive news across most commercial real estate sectors. CBRE¹ believe that the UK market has turned a corner, and expect continuing positive total returns from the sector, with secondary properties reversing recent trends and outperforming prime properties. Alongside the improving macro-economic environment, the availability of capital for investment in UK real estate has increased. Transaction volumes increased in 2013 with UK and German banks increasing active lending to UK commercial real estate as they made continued progress in winding down legacy loan books. At the same time there have been substantial increases in competition from non-bank lenders, with insurance companies and debt funds targeting the sector. Increased lending capacity and appetite among bank and non-bank lenders mean more competition which has translated into a loosening in lending terms. Investors are showing greater appetite to invest beyond prime London assets as debt funding is now available for high quality, well located regional properties.

The performance of investment markets and increasing funding into the real estate markets has flowed through to development activity, with Savills² reporting total commercial development activity across the UK expanding at a robust pace and at one of the strongest levels in survey history.



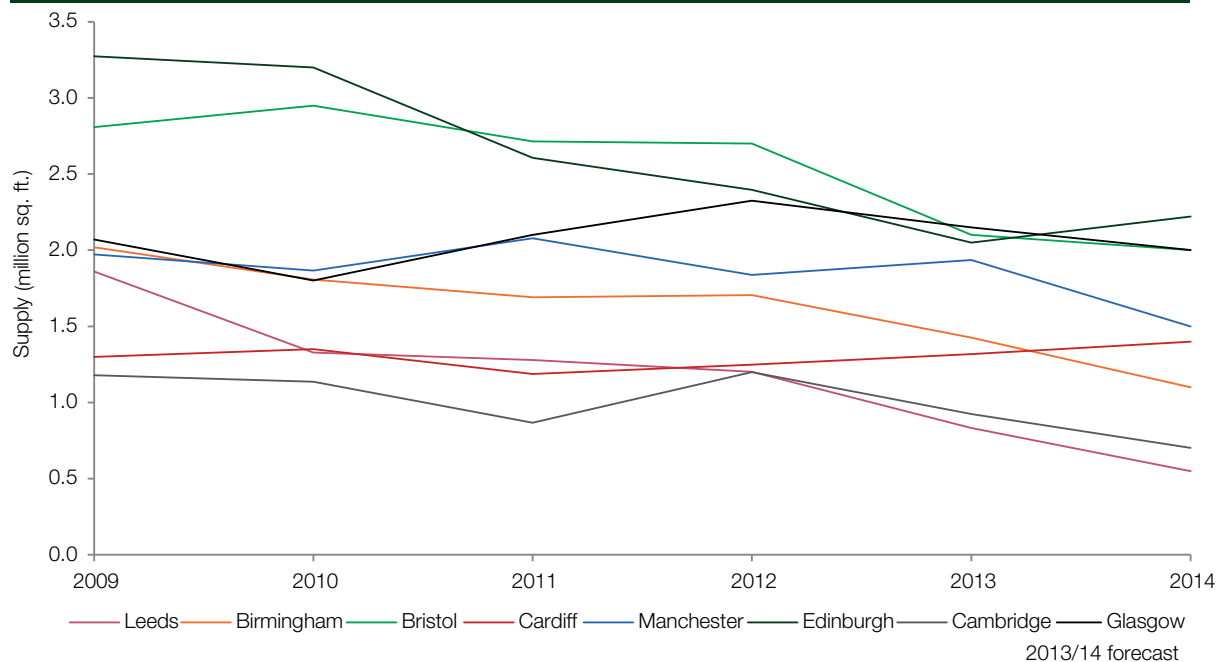
Source: Savills research.

A more favourable environment for commercial real estate development exists as occupier demand, rents and investor appetite increase, while availability of vacant space is falling in many markets.

¹ UK Property Market ViewPoint 2014, CBRE, January 2014.

² Commercial Development Activity report, Savills, November 2013.

Overall supply in most cities continues to fall



Source: Savills research.

3.2 Large foodstore retailing

Food retailing in the UK is undergoing significant structural changes with the introduction of online retailing and the increased focus of major operators on convenience formats. These areas are seen as key drivers of future growth in a market with limited immediate scope for demand driven expansion.

Despite the above pressures, food retailers continue to increase their footprints, with the number of foodstores in the pipeline across the UK increasing by 67 per cent. since 2007. Due to strict planning constraints, a significant proportion of proposed new stores do not obtain planning approval, increasing the value of those schemes which make it through planning to delivery.

3.3 Central London offices

The Central London office market was one of the first UK real estate sectors to recover from the downturn following the recession, with significant increases in international investment reflecting London's status as a key international city. In 2013, Central London offices continued to outperform the wider sector as an investment class, and CBRE¹ expects Central London and south-east offices to continue to out-perform in 2014–15, as a consequence of stronger relative economic growth. The rally in Central London office values and rents has created a favourable environment for development and a return of speculative development activity.

3.4 Regional opportunities

Following a period where investment and development activity has been focused in Central London, a number of market commentators expect outperformance of certain regional real estate markets. Competition for quality London assets has moved many market pricing benchmarks to near peak levels, and the yield gap between prime and secondary markets reached historic highs in 2013. As a consequence, increased capital is expected to filter through to regional markets in coming years.

CBRE believes that recent tightening in secondary yields will continue for some time, as long as the economic recovery continues. An increase in speculative office developments in the south-east is already evident, and this is expected to spread to selected regional cities, including Bristol, Glasgow and Manchester.

¹ UK Property Market ViewPoint 2014, CBRE, January 2014.

3.4.1 **Leisure**

Leisure has emerged as an important sub-sector of the commercial property investment market, with interest increasing as a consequence of the comparative resilience of spending on leisure services during economic downturns. Savills¹ expect that this outperformance will continue for the five years up to 2018, with strong tenant demand in the “family friendly” markets, such as cinema, health & fitness and restaurant/casual dining.

Strong levels of investor demand exist from UK funds and property companies for leisure assets which are often higher yielding with long leases, strong national covenants and good rental growth prospects (open market and indexation). The major cinema chains are all expanding which has resulted in competition for new locations, continued growth is also being seen in the restaurant casual dining sector.

3.4.2 **Student accommodation**

The UK student accommodation market has become an established real estate investment sector in its own right, with growing acceptance from a wide range of investors looking to access the stable, long term rental income that it provides.

Private sector operators and developers are taking a leading role in the market, with new developments and redevelopment of existing assets to match the growth in student applications and bridge the structural undersupply of accommodation. Over £2.1 billion was invested into student accommodation in 2013 with total returns outperforming all other UK commercial asset classes apart from London’s West End offices. The regions have benefitted from strong levels of investor support, with approximately £1.8 billion invested in regional schemes in 2013 across 30 different UK towns and cities. Knight Frank² expects continued strong sector performance, with regional rental growth of 2.75 per cent. for the academic year 2014/15 and increasing student numbers supporting investment and development activity.

4. COMPETITION

There is no single direct comparator in the market having the same distinct blend of major strategic land holdings and smaller commercial schemes as the Enlarged Group. As a result, the Enlarged Group faces competition from a wide spectrum of companies and institutions across its different business activities.

The strategic land developments of the Enlarged Group face competition from:

- specialist quoted property companies;
- institutional investors’ dedicated property arms;
- regional and national housebuilders; and
- specialist private equity firms.

While the commercial property schemes of the Enlarged Group compete against:

- small regional developers; and
- larger private property companies.

The Enlarged Group mitigates the level of competition it faces across its business through its planning expertise at a local and national level, its strong project management skills, as well as management’s combined knowledge and experience across the markets in which the Enlarged Group operates.

¹ Spotlight UK Commercial Leisure, Savills, Q1 2013.

² Student Property 2014, Knight Frank.

PART 10

INFORMATION ON URBAN&CIVIC

1. HISTORY AND DEVELOPMENT

Urban&Civic is an unlisted property group founded in 2009 by Nigel Hugill and Robin Butler, which aims to deliver strategic developments in key growth areas of the UK. Urban&Civic's principal funder to date has been GI Partners Fund III. Its seed investment was the £27.5 million acquisition of Alconbury Airfield in 2009. More recently, Urban&Civic has conditionally agreed to purchase a 50 per cent. interest in a site in Rugby.

Urban&Civic's management has an outstanding track record in urban and suburban development which recognises the importance of local involvement and creating an environment that is desirable and sustainable. They have worked together for over 20 years, during their time at Chelsfield plc, Lend Lease Europe and now Urban&Civic.

They have directed some of the largest regeneration projects in London, including Stratford (now Westfield Stratford City) site, Bankside, Elephant and Castle, Greenwich Peninsula, Paddington Basin and the White City (now Westfield London). In the West Midlands, they created the groundbreaking new town centre at Brierley Hill. These projects are regarded as some of the most architecturally innovative and value-generative projects undertaken in the UK.

As market leaders in large-scale metropolitan development, their experience covers the full development process: identifying strategic sites; structuring complex development financing; working to harmonise the local community's vision with their own; overcoming infrastructure challenges; negotiating, planning and – often a key catalyst to their schemes' successes – delivering major new transport interchanges.

2. PRINCIPAL ACTIVITIES AND CURRENT TRADING

Principal activities

Urban&Civic's principal activities comprise its development at Alconbury Weald and its conditional acquisition of a 50 per cent. interest in the development at Rugby.

Further details about each of these activities are set out in paragraph 1.3.1 of Part 7 of this document.

Current trading

The Section 106 Agreement in respect of Alconbury Weald is currently being finalised and the design of the first phase of development is well advanced.

In April 2014, Urban&Civic entered into the Rugby Acquisition Agreement to acquire BT's 50 per cent. interest in Rugby. Rugby Borough Council passed its resolution to grant outline planning consent and the Section 106 Agreement for Rugby has been agreed and is expected to be signed in the near future.

Further information on the current trading of the Urban&Civic Group can be found in paragraph 1.9 of Part 7 of this document.

3. DIRECTORS AND SENIOR MANAGEMENT

3.1 Directors

The Proposed Directors who are currently directors within the Urban&Civic Group are:

- Nigel Hugill, currently Executive Chairman of Urban&Civic Limited;
- Robin Butler, currently Managing Director of Urban&Civic Limited; and
- Mark Tagliaferri, currently a director of Urban&Civic Limited.

Further details about each of the above Proposed Directors, including short biographies, can be found in paragraph 1.7 of Part 7 of this document.

3.2 Senior management

Urban&Civic's senior managers, who will become Senior Managers of the Enlarged Group on Admission are:

- Tim Leathes – Development;
- James Scott – Planning and Regeneration; and
- David Wood – Finance.

Further details about each of the above Senior Managers, including short biographies, can be found in paragraph 1.7 of Part 7 of this document.

4. VALUATION REPORT

The property valuation of the Urban&Civic Group's portfolio set out in Part 19 of this document is based on the valuation report of CBRE as at 31 December 2013, in respect of Alconbury Weald, and 9 January 2014, in respect of Rugby (the "Valuation Report"). The valuations contained in the Valuation Report were carried out in accordance with Practice Statements contained in the Red Book and in accordance with paragraph 130 of the CESR Recommendations.

PART 11

INFORMATION ON TERRACE HILL

1. OVERVIEW

Terrace Hill is a regionally based UK property development group with offices in London, Teesside, Manchester, Bristol and Glasgow. It has a long and successful development track record stretching back over 20 years and has a strong project pipeline. Terrace Hill's current development programme is focused on three main areas: foodstores; Central London offices; regional commercial development in the office, retail, industrial, student accommodation and leisure sectors. Terrace Hill seeks to add value through utilising the skills and relationships of its key employees to source opportunities and manage the planning and development processes. Terrace Hill seeks to achieve superior risk-managed returns on equity through the use of conditional site purchases and options as well as pre-lettings and forward fundings with appropriate levels of debt.

2. HISTORY AND DEVELOPMENT

The Company in its present form was created by the reverse takeover in September 2002 (the "Reverse Takeover") of Westview Group Limited, which was wholly-owned by Robert Adair's family trusts, by CapitalTech plc, which was previously owned by Robert Adair's family trusts.

Westview Group Limited was formed in 1995 and was engaged in commercial property development and investment. Its principal operating subsidiary was Terrace Hill Limited, a commercial property developer with a focus on London and the regions. CapitalTech plc was a residential investment business that acquired portfolios of flats and houses at discounts to open market value from financial institutions and former Business Expansion Schemes (known as "BES companies"). The shares of CapitalTech plc were admitted to trading on AIM in 1995.

As part of the Reverse Takeover, the Company changed its name to Terrace Hill Group plc and Robert Adair became its Executive Chairman. The enlarged business benefited from the combination of the commercial development activity with the residential investment business and through utilising the skills of its in-house project management team to participate in mixed use commercial and residential development schemes.

A key strategy of the Company, which it has continued to pursue, has been the establishment of a network of regional offices from which to identify development opportunities utilising the local knowledge of its employees. At the time of the Reverse Takeover, the Company operated from three locations: Portland Place in London; Stockton, which served the north-east of England; and Marlborough, which served the west of England. Later the west of England office was relocated to Bristol.

Following the Reverse Takeover, Terrace Hill engaged in commercial property development, residential investment and for a limited period also developed a number of small housing schemes in Scotland under the Clansman Homes brand. The Company actively sought partnerships either with landowners, particularly in the public sector, or private equity investors, (including its joint ventures with Longford Estates to develop over 50,000 sq. ft. of offices in Berkeley Street, London and with Northridge Capital to develop offices in Bristol including the 90,000 sq. ft. Temple Circus).

By the financial year-end of 2005 the total projected GDV of the commercial development programme was estimated to be £900 million of which approximately £350 million was under construction and £550 million was at the planning stage.

In 2006, to capitalise on the Company's residential and trading skills, Terrace Hill acquired the "at.Home" Nationwide residential portfolio in an off balance sheet partnership with the Company's Executive Chairman, Robert Adair, for approximately £273 million. This residential portfolio was one of the largest to come to the market at that time and Terrace Hill's management saw opportunities to add value to the portfolio through active asset management and strategic sales.

Terrace Hill continued to source partnership opportunities in which to invest in conjunction with third party capital, and in 2006 it closed its first external fund, the Terrace Hill Development Partnership. The fund was seeded by Terrace Hill with development sites with an aggregate sales value of over £90 million and was

structured so as to generate revenue for Terrace Hill from performance related profit shares and development management fees.

In 2007, Terrace Hill raised £25 million (gross) from an institutional offer to acquire further commercial development sites and grow the residential land bank.

During the economic downturn from 2008, Terrace Hill continued to focus on intensively managing existing assets and sites to maximise revenue by letting vacant space, exploiting pre-letting opportunities, releasing capital through sales and adding value through achieving planning consents. Examples included Times Central in Newcastle, an 83,000 sq. ft. Grade A commercial office which was pre-let and forward sold and a riverside site, Queens Wharf in Hammersmith, which was progressed through planning and sold to a residential developer for £30.8 million.

Terrace Hill also rationalised its Scottish activities, exiting from its housebuilding activities there in 2009 to focus on site assembly and planning gain.

To further enhance its regional network a new regional office was opened in Manchester in 2010 to exploit opportunities in the north-west of England.

This repositioning led to the establishment of the strategy of focusing on pre-let developments and, in particular, in the foodstore sector. Terrace Hill is now one of the market leaders in large format foodstore developments with a strong track record, including an approximately 96,000 sq. ft. superstore in Bishop Auckland, County Durham for Sainsbury's and stores in Sunderland, Whitchurch and Skelton totalling approximately 194,000 sq. ft. of floor space.

Terrace Hill began the process of selling the "at.Home" residential portfolio in 2011, and in 2013 completed the sale of virtually all its remaining residential investment property.

3. PRINCIPAL ACTIVITIES AND CURRENT TRADING

Principal activities

Terrace Hill is a property development business that operates in three areas: foodstores, London offices and regional developments focused on retail, leisure, industrial, office and student accommodation.

Further details about each of these activities are set out in paragraph 1.3.2 of Part 7 of this document.

Current trading

Terrace Hill has submitted a planning application in respect of its approximately 25,000 sq. ft. foodstore development at Stokesley, North Yorkshire. If planning permission is granted, the Enlarged Board anticipates that the new foodstore will open in 2015.

Terrace Hill has sold Baltimore House, a multi-let office building in Gateshead, for £2.0 million.

Further information on the current trading and outlook of the Terrace Hill Group is set out in paragraph 1.9 of Part 7 of this document.

4. DIRECTORS AND SENIOR MANAGEMENT TEAM

Details of the Enlarged Group's directors and senior managers are set out in paragraph 1.7 of Part 7 of this document. Will Wyatt and Nick Gaskell, who are currently non-executive directors of the Company, will retire as directors with effect from Admission.

PART 12

SELECTED FINANCIAL INFORMATION ON URBAN&CIVIC

The table below sets out selected financial and operating information of the Urban&Civic Group as at and for the financial years ended 31 December 2013, 2012 and 2011. This information has been extracted without material adjustment from section B in Part 16 of this document which includes the historical financial information on the Urban&Civic Group, and has been prepared on the basis described therein.

Investors should read the full text of this document and, in particular, Part 16 of this document in full and not rely on the summarised information in this Part 12.

SUMMARY OF URBAN&CIVIC GROUP CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	2,928	2,859	2,802
Profit/(loss) before tax	28,738	(3,406)	(7,090)
Taxation expense	(159)	(119)	(88)
Total comprehensive profit/(loss) from the year ¹	28,579	(3,525)	(7,178)
Basic earnings/(loss) per share ²	19.22	(2.37)	(4.84)

1 The Urban&Civic Group had no amounts of other comprehensive income in any of the periods set out above and the profit/(loss) for the respective year is wholly attributable to equity shareholders.

2 The calculation of earnings/(loss) per ordinary share is based on a profit of £28,579,000 (2012: losses of £3,525,000; 2011: losses of £7,178,000) and on 1,487,000 (2012: 1,485,000 and 2011: 1,482,000) ordinary shares, being the weighted average number of shares in issue during each year.

SUMMARY OF URBAN&CIVIC GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>As at 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	55,455	55,000	45,000
Other non-current assets	23	31	66
Trading properties	45,545	–	–
Other current assets	1,528	1,242	755
Net debt*	(79,512)	(61,988)	(48,959)
Other non-current liabilities	(7)	(3)	(10)
Other current liabilities	(2,352)	(2,196)	(1,241)
Net assets/(liabilities)	20,680	(7,914)	(4,389)

*As at 31 December 2013, £71,389,000 of the Urban&Civic Group's net debt comprised preferred equity certificates issued by Urban&Civic to GIP U&C and certain other shareholders of Urban&Civic.

PART 13

SELECTED FINANCIAL INFORMATION ON TERRACE HILL

The table below sets out selected financial and operating information of the Terrace Hill Group as at and for the three months ended 31 December 2013, and the financial years ended 30 September 2013, 2012 and 2011. This information has been extracted without material adjustment from section B in Part 17 of this document which includes the historical financial information on the Terrace Hill Group, and has been prepared on the basis described therein.

Investors should read the full text of this document and, in particular, Part 17 of this document in full and not rely on the summarised information in this Part 13.

SUMMARY OF TERRACE HILL GROUP STATEMENTS OF COMPREHENSIVE INCOME

	<i>3 months ended</i>			
	<i>31 December 2013</i>	<i>Year ended 30 September</i>		
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	2,084	48,486	65,899	66,410
(Loss)/profit before tax	(4,188)	5,615	7,464	(4,559)
Tax	417	(1,271)	(58)	(184)
(Loss)/profit from continuing operations	(3,771)	4,344	7,406	(4,743)
Profit/(loss) from discontinued operations ¹	150	586	(5,664)	(5,680)
Total comprehensive (loss)/income ²	(3,621)	4,930	1,742	(10,423)
Basic earnings per share from continuing operations ³	(1.79p)	2.06p	3.51p	(2.25p)
Diluted earnings per share from continuing operations ⁴	(1.79p)	2.05p	3.50p	(2.25p)
Total basic earnings per share ³	(1.72p)	2.34p	0.83p	(4.94p)
Total diluted earnings per share ⁴	(1.72p)	2.33p	0.82p	(4.94p)

1 Reflects Terrace Hill's sale of its residential portfolio.

2 Terrace Hill had no amounts of other comprehensive income in any of the periods set out above, and the (loss)/income for the respective year is wholly attributable to equity shareholders.

3 The calculation of basic earnings per ordinary share is based on a loss of £3,621,000 (2013 profit: £4,930,000, 2012 profit: £1,742,000, 2011 loss: £10,423,000) and on 210,951,299 (2013: 210,951,299, 2012: 210,951,299, 2011: 210,951,299) ordinary shares, being the weighted average number of shares in issue during the year.

4 The calculation of diluted earnings per ordinary share for December 2013 (also year ended September 2011) is the same as that for basic earnings per share. The calculation for diluted earnings per ordinary share in September 2013 was based on earnings of £4,930,000 (2012: £1,742,000) and on 211,545,352 (2012: 211,426,546) ordinary shares being the weighted average number of shares in issue during the period adjusted to allow for the issue of ordinary shares in connection with a share award.

SUMMARY OF TERRACE HILL GROUP CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>As at</i>		<i>As at 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Investment properties	126	162	15,178	21,393
Other non-current assets	13,154	12,952	15,079	14,920
Development properties	54,722	58,200	70,284	72,961
Other current assets	11,805	14,573	17,251	9,918
Net debt	(15,402)	(17,485)	(47,166)	(51,408)
Other non-current liabilities	(659)	(867)	(851)	(917)
Other current liabilities	(11,627)	(11,986)	(19,562)	(18,733)
Net assets	<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>

PART 14

OPERATING AND FINANCIAL REVIEW OF URBAN&CIVIC

The operating and financial review should be read in conjunction with Urban&Civic's audited historical consolidated financial information and the notes explaining the financial information for the three years ended 31 December 2013, 2012 and 2011 which is contained in Part 16 of this document. Urban&Civic's financial information has been prepared in accordance with IFRS. For a discussion of Urban&Civic's significant accounting policies, see paragraph 3.6 of this Part 14 headed "Critical accounting policies under IFRS" below. Investors should read Urban&Civic's financial information in its entirety and not merely rely on the information contained in this section. Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. See Part 2 ("Risk Factors") of this document for a discussion of important factors that could cause actual results to materially differ from the figures described in the forward-looking statements contained in this document.

1. BUSINESS OVERVIEW

Urban&Civic is an unlisted property group founded in 2009 by Nigel Hugill and Robin Butler, which aims to deliver strategic residential land developments in key growth areas of the UK. Urban&Civic's principal funder to date has been GI Partners Fund III, and its seed investment was the £27.5 million acquisition of Alconbury Airfield in November 2009. A strategic parcel of neighbouring farm land was acquired a year later. More recently Urban&Civic has agreed conditionally to purchase a 50 per cent. interest in a site in Rugby (the SUE site). Urban&Civic's management has considerable expertise in assembling large, complex developments and taking them through the planning process to successful delivery.

2. SUBSEQUENT EVENTS

2.1 Issuance of PECs

On 24 January 2014, £4,985,091 of new preferred equity certificates ("PECs") were issued to GIP U&C to provide additional working capital for the Urban&Civic Group.

2.2 Rugby Acquisition

On 16 April 2014, Urban&Civic, through SUE LP (its 50:50 joint venture with Aviva), entered into a conditional acquisition agreement to purchase its interest in the SUE site from the RRSLP. Urban&Civic's share of the consideration for the acquisition is £16.7 million and a 10 per cent. deposit has been paid to RRSLP. The Rugby Acquisition is conditional on certain outstanding conditions precedent which are set out in the Rugby Acquisition Agreement, being: (i) completion of arrangements to revise an existing agreement between RRSLP and ProLogis; and (ii) in respect of land comprising part of the site, classification of the consideration payable by SUE LP to RRSLP as falling outside of that agreement with ProLogis and, therefore, not requiring any payment to be made to ProLogis. The longstop date for completion is 31 March 2015 but it can be extended by the agreement of both parties. The conditions precedent can be waived by Urban&Civic (through SUE LP).

2.3 Urban&Civic Alconbury Limited

On 22 April 2014, Urban&Civic Alconbury transferred ownership of Alconbury Weald for the sum of £102.3 million to Urban&Civic Alconbury Limited, its UK tax resident subsidiary. The related £9.5 million of bank borrowings were also transferred and the resulting £92.8 million intercompany indebtedness was released in exchange for the issue of 1,000 ordinary shares of £1 each in the capital of Urban&Civic Alconbury Limited. Urban&Civic Alconbury Limited will be subject to UK corporation tax.

Urban&Civic Alconbury is incorporated in Luxembourg and is not resident in the UK for tax purposes and does not carry on a trade in the United Kingdom through a permanent establishment, such that the transfer of Alconbury Weald to Urban&Civic Alconbury Limited should be outside the scope of United Kingdom taxation. HMRC is increasingly seeking to challenge such arrangements, and it is possible that they may be scrutinised once the Urban&Civic Group is owned by Terrace Hill and, if so, any tax claimed may need to be paid prior to resolution of any challenge.

In addition, the base cost that Urban&Civic Alconbury Limited obtains in Alconbury Weald for the purposes of UK taxation of chargeable gains will be based on the market value of that site on the date of transfer, which could be disputed by HMRC.

On 16 April 2014 Urban&Civic converted from a Luxembourg S.A. to a Luxembourg S.à. r.l.

3. FACTORS AFFECTING THE HISTORIC RESULTS OF URBAN&CIVIC'S OPERATIONS

3.1 *The UK property planning system*

As a general rule, use of Urban&Civic's properties must be in accordance with planning permission except in the case of certain limited changes of use not requiring planning permission. Whether or not planning permission will be granted for a change of use depends upon whether the application accords with the relevant planning authority's planning policies for the area.

Alconbury Weald is currently operated pursuant to a temporary planning consent (due for renewal in December 2015) for uses including offices, storage, general industrial and a small number of specific uses. On 9 December 2013, Huntingdonshire District Council resolved to grant outline planning consent for the redevelopment of Alconbury Weald, subject to completion of a Section 106 Agreement and planning conditions commensurate with an application of this scale. Following automatic referral, the Secretary of State confirmed in January 2014 that the application would not be "called-in" for review. Upon finalisation of the Section 106 Agreement and satisfaction of the planning conditions, Urban&Civic intends to deliver its Section 106 obligations, service land parcels for residential and commercial uses and undertake selected development, including redevelopment of certain existing buildings, with a view towards increasing the amount, stability and maturity profile of Alconbury Weald income over time. Urban&Civic does not anticipate continuing storage uses under its redevelopment proposals.

In respect of Rugby, following the resolution to grant outline planning consent for a residential led mixed use scheme comprising approximately 6,200 dwellings and approximately one million sq. ft. of commercial uses on the site of the former Rugby Radio Station, Urban&Civic will seek to develop the site in line with the approach set out above for Alconbury Weald.

3.2 *Mix of planning uses*

Urban&Civic's current income is derived from a variety of warehouse and office buildings, which have historically been used in connection with the former airfield operations at Alconbury, as well as runways and taxiways capable of use as open storage areas. As at 31 December 2013, approximately 700,000 sq. ft. of built space was occupied and approximately 500 acres of land in use for open storage and farming at Alconbury Weald. Approximately 30 per cent. of Urban&Civic's current income relates to open storage and approximately 70 per cent. relates to occupied buildings, which are typically leased for terms of up to two years and have mutual break options. Current achieved rents are approximately £2.75 per sq. ft. for warehousing, £5.00 per sq. ft. for offices and £11,500 per acre for open storage rent.

In August 2011, approximately 370 acres of the site was designated as an Enterprise Zone for 25 years. Businesses that move into an Enterprise Zone until March 2018 are entitled to a 100 per cent. business rate discount, worth up to £275,000 over a five-year period.

As a result of Urban&Civic's diverse mix of properties and permitted uses, Urban&Civic is not dependent upon any one kind of use and has generally experienced resilient revenue from properties during 2013, 2012 and 2011. However, over 50 per cent. of Urban&Civic's revenues are generated by seven tenants, many of which utilise Urban&Civic's properties for storage uses that are expected to be discontinued as the Alconbury Weald development progresses. Once development under permanent planning consent commences, the temporary planning consent will fall away over a period of time and the mix of rentals will change as existing tenants move out of and new tenants move into the site. Urban&Civic expects that trend to continue as the site is developed.

3.3 *Rent and occupancy levels*

Urban&Civic's primary source of revenue from properties has historically been rents receivable. Rents receivable comprise contracted rents paid by tenants under operating leases, recognised on an accruals basis, together with an adjustment for lease incentives where material. As a result, revenues

are booked when Urban&Civic's properties are let, rather than when rental payments are received. Urban&Civic's tenants rent its properties for offices, storage, general industrial uses and a small number of other specific uses.

Urban&Civic's rents are affected by the volume of new lettings and lease renewals. The impact of new lettings, lease renewals and lease surrender premiums is offset by lease expirations, exercise of break options and surrenders, and by tenant defaults. Particularly during periods of economic slowdown or recession in which property values and rents are declining, Urban&Civic's existing tenants may increasingly exercise break options in order to renegotiate lease terms to reduce their rental payments, or to negotiate lease incentives.

Occupancy levels of Urban&Civic's properties have moderately increased since the beginning of 2011, with Urban&Civic experiencing occupancy rates above 90 per cent. for the first time in 2013. In the third quarter of 2013, economic conditions did cause occupancy levels to decrease, though this decrease was offset by a strong first quarter and did not significantly impact year-on-year revenues. The Enlarged Board is aware that the flexibility of current tenant leases and the proposed redevelopment of Alconbury Weald may lead to more vacancies and longer void periods, particularly in the short to medium term.

3.4 Valuation of property assets

Since 31 December 2012, Urban&Civic's property portfolio has been valued annually by professionally qualified, external valuers from CBRE, an independent firm of chartered surveyors, on a market value basis. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. Prior to 31 December 2012, the property portfolio was valued annually by the Urban&Civic Directors.

Urban&Civic's board of directors determines the properties that it intends to hold for capital growth or income generation, which are classified as investment properties, and the properties it intends to sell, which are held as trading properties. Urban&Civic uses CBRE's valuations to assess the fair value of its investment properties and the net realisable values of its trading properties. Valuations are based upon assumptions including future rental income, sales prices, an estimate of typical profit margins, anticipated maintenance costs, construction costs and appropriate discount rates. The valuers also make reference to market evidence of transaction prices for similar properties.

3.5 Impact of property valuation on financial statements

Historically, Urban&Civic has held substantially all of its properties as investment properties. In December 2013, approximately 75 per cent. (£45.1 million) of its residential land holdings were reclassified as trading properties pursuant to Huntingdonshire District Council's resolution to grant outline planning consent for the redevelopment of Alconbury Weald.

Depending upon whether the properties are held for investment or trading purposes, the valuation bases differ and are treated differently in the financial statements. In addition to affecting Urban&Civic's consolidated statement of financial position, under IFRS, changes in investment property valuations also appear in Urban&Civic's consolidated statement of profit and loss and other comprehensive income under the heading "Surplus/(deficit) on revaluation of investment properties", which historically have had a significant impact on Urban&Civic's profit from continuing operations. These valuation surpluses or deficits reflect the difference between the fair value of the Urban&Civic's portfolio at the reporting date and its carrying value prior to re-measurement. Trading properties are required to be carried on the consolidated statement of financial position at the lower of cost and net realisable value (NRV). Only when NRVs of trading properties fall below cost or deemed cost will the deficit be reflected in the consolidated statement of profit and loss and other comprehensive income. Surpluses will be recognised in the consolidated statement of profit and loss and other comprehensive income only to the extent that they reverse previous write-downs below cost or deemed cost.

To the extent Urban&Civic reclassifies investment properties as trading properties and such investment properties have previously been carried at fair value, the fair value at the date of transfer becomes the deemed cost of the property going forward. The change in property description in 2013 has had an immaterial impact on Urban&Civic's consolidated statements of financial position and consolidated

statements of profit and loss and other comprehensive income. Valuation surpluses and deficits do not have an impact on Urban&Civic's cashflow.

3.6 **Critical accounting policies under IFRS**

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Urban&Civic 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.

The selection of critical accounting policies and associated judgements and estimates, and the sensitivity of reported results to changes in Urban&Civic's conditions and assumptions, are factors to be considered when reviewing Urban&Civic's financial information. The Enlarged Board believes that areas requiring the use of estimates and critical judgement that may impact on the Urban&Civic Group's earnings and financial position include:

Classification of property

Properties and land are classified as investment property, under IAS 40, when they are held to earn rentals or for capital appreciation (or both). Properties and land are classified as inventories (development and trading properties), under IAS 2, when assets are held for sale. Investment properties are initially measured at cost and are subsequently measured using fair value, with changes in the fair value being recognised in the consolidated statement of profit and loss and other comprehensive income. Inventories are measured at the lower of cost and NRV. Cost includes the expenses incurred for purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down to NRV is recognised as an expense in the period in which the write-down occurs. Any reversal is recognised in the income statement in the period in which the reversal occurs.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to Urban&Civic and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

Sale of property

Revenue from the sale of trading and investment properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

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

Development income

Development revenue and profits are recognised in accordance with IAS 11 "Construction Contracts" or IAS 18 "Revenue" depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser.

Rental income

Rental income arising from property is accounted for on a straight line basis over the term of the lease.

Fees and other income

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

Taxation

Deferred tax is recognised where differences between the tax base and the carrying amount are temporary. Deferred tax assets arising from temporary differences are only recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period. If the revisions affect both current and future periods, they are recognised in the period of the revision and future periods.

4. CONSOLIDATED RESULTS OF OPERATIONS

The following discussion and analysis contains information regarding Urban&Civic's results of operations for the years ended 31 December 2013, 2012 and 2011:

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(£'000, except per share data)</i>		
Revenue	2,928	2,859	2,802
Direct costs	<u>(1,598)</u>	<u>(1,473)</u>	<u>(1,285)</u>
Gross profit	1,330	1,386	1,517
Administrative expenses	(1,077)	(938)	(945)
Surplus/(deficit) on revaluation of investment properties	<u>31,027</u>	<u>(1,625)</u>	<u>(5,084)</u>
Operating (loss)/profit	31,280	(1,177)	(4,512)
Finance income	1	6	13
Finance costs	<u>(2,543)</u>	<u>(2,235)</u>	<u>(2,591)</u>
Profit/(loss) before taxation	28,738	(3,406)	(7,090)
Taxation expense	<u>(159)</u>	<u>(119)</u>	<u>(88)</u>
Profit/(loss) for the year ¹	<u>28,579</u>	<u>(3,525)</u>	<u>(7,178)</u>
Basic earnings/(loss) per share ²	19.22	(2.37)	(4.84)

1 The Urban&Civic Group had no amounts of other comprehensive income in any of the periods set out above and the profit/(loss) for the respective year is wholly attributable to equity shareholders.

2 The calculation of earnings/(loss) per ordinary share is based on a profit of £28,579,000 (2012: losses of £3,525,000; 2011: losses of £7,178,000) and on 1,487,000 (2012: 1,485,000 and 2011: 1,482,000) ordinary shares, being the weighted average number of shares in issue during each year.

Revenue

The following table summarises Urban&Civic's revenue for the years ended 31 December 2013, 2012 and 2011:

	Year ended 31 December		
	2013 £'000	2012 £'000	2011 £'000
Rental income	2,639	2,599	2,575
Recoverable property expenses	289	256	215
Rents receivable	2,928	2,855	2,790
Other income	–	4	12
Revenue	2,928	2,859	2,802

Revenue was £2.9 million in 2013, £2.9 million in 2012 and £2.8 million in 2011. Urban&Civic operates as one business segment in Great Britain, and revenue is driven by rental income and also reflects recoverable property expenses and other income.

Rental income comprises contracted rents paid by tenants under operating leases, recognised on an accruals basis, together with an adjustment for lease incentives where material. Lease incentives were immaterial in 2013, 2012 and 2011. Rental income was £2.6 million in 2013, £2.6 million in 2012 and £2.6 million in 2011. The improvement in rental income in 2013 was primarily a result of increased occupancy levels in the first quarter of the year, tempered by a slight decrease in occupancy in the third quarter.

Recoverable property expenses were £289,000 in 2013, £256,000 in 2012 and £215,000 in 2011 and reflect property expenses in relation to utilities, which are recharged to tenants.

Direct costs

Direct costs were £1.6 million in 2013, £1.5 million in 2012 and £1.3 million in 2011. Direct costs are primarily driven by expenditure on security, maintenance, management fees and property expenses in relation to utilities (of which a portion are recoverable from tenants). Management fees slightly increased over the three-year period as occupancy rates have generally improved and property management staffing levels have increased. Security costs have remained consistent over the three-year period, though Urban&Civic expects that these costs will increase in connection with the anticipated opening of a new security post at Alconbury Weald in 2014. Maintenance costs are the largest variable component of direct costs, as they reflect seasonal fluctuations.

Administrative expenses

Administration expenses, which represent the portion of administrative costs that are not capitalised against investment or trading properties, were £1.1 million in 2013 and £0.9 million in each of 2012 and 2011. Administrative expenses are primarily driven by wages and salaries and also reflect depreciation of owned fixed assets, operating leases costs and fees paid to independent accountants.

Overheads are capitalised to the extent that management consider they are directly attributable to development activity rather than strategic or rental work. In 2013, £2.1 million of overheads were capitalised, as compared to £1.8 million in 2012 and £1.7 million in 2011.

Surplus/(deficit) on revaluation of investment properties

Surplus/(deficit) on revaluation of investment properties was £31.0 million in 2013, £(1.6) million in 2012 and £(5.1) million in 2011. The increase in value in 2013 reflects the resolution by Huntingdonshire District Council to grant outline planning consent for the redevelopment of Alconbury Weald, which more than offset the accumulated amount of interest capitalised as part of the cost of investment properties in the year. The deficit in 2012 and 2011 reflects the capitalised interest that was not fully offset in the year. The average cost of capitalised interest was 13.9 per cent. in 2013, 14.1 per cent. in 2012 and 14.0 per cent. in 2011.

The following table summarises the impact of revaluation on Urban&Civic's investment properties as at 31 December and 1 January 2013, and as at 1 January 2012 and 2011:

Valuation	<i>£'000</i>
As at 1 January 2011	42,850
Additions	7,234
Loss on revaluation	(5,084)
As at 1 January 2012	45,000
Additions	11,625
Loss on revaluation	(1,625)
As at 1 January 2013	55,000
Additions	14,496
Surplus on revaluation	31,027
Transfers to trading properties	(45,068)
As at 31 December 2013	<u>55,455</u>

Finance costs and finance income

The following table summarises Urban&Civic's finance costs and finance income for the years ended 31 December 2013, 2012 and 2011:

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest payable on borrowings	9,158	7,629	6,416
Interest capitalised ¹	(6,620)	(5,394)	(3,825)
Fair value loss on non-hedging derivative financial instruments	5	-	-
Finance costs	<u>2,543</u>	<u>2,235</u>	<u>2,591</u>
Interest receivable from cash deposits and other financial assets	1	6	13
Finance income	<u>1</u>	<u>6</u>	<u>13</u>

1 Interest is capitalised on the finance costs that the Urban&Civic Directors determine are related to property development or refurbishment.

Finance costs were £2.5 million in 2013, £2.2 million in 2012 and £2.6 million in 2011 and are driven by interest payable on borrowings, Urban&Civic has increased its bank loans and other loans over the past three years, which has had a corresponding impact on interest payable. Urban&Civic entered into £9.5 million of new bank loans in 2013 and it issued £1.0 million and £11.5 million of subordinated loans in the form of non-convertible PECs in 2012 and 2011, respectively. Finance costs also reflect movements in derivative financial instruments, which are initially measured at fair value and are subject to annual re-measurement, which gives rise to non-cash adjustments in the consolidated statement of profit and loss and other comprehensive income. The movements generally reflect the extent to which Urban&Civic's interest rate swaps are fixed at rates greater or lower than the prevailing and anticipated rates at the date of valuation. Finance income reflects interest receivable from cash deposits and other financial assets.

Tax

Urban&Civic's current tax charge was £160,000 in 2013, £126,000 in 2012 and £78,000 in 2011, which primarily reflects the tax payable on profits earned on management services provided by the Urban&Civic Group. The deferred tax (credit)/charge in the income statement of £(1,000) in 2013, £(7,000) in 2012 and £10,000 in 2011 reflects the temporary differences in respect of accelerated capital allowances.

Deferred tax liabilities reflected in the consolidated statement of financial position were £0.02 million in 2013, £0.03 million in 2012 and £0.10 million in 2011, which relate to accelerated capital allowances. No deferred tax has been provided for on the revaluation surplus on investment properties, as no chargeable gain would arise on the sale of the property as a result of the tax residency of the Urban&Civic undertaking owning such property.

As at 31 December 2013, Urban&Civic's effective income tax rate was less than one per cent. The difference between profit and taxable profit is primarily attributable to revaluations on currently held properties where no chargeable gain would arise on the sale of the property as a result of the residency of the Urban&Civic undertaking owning such property.

5. CAPITAL RESOURCES AND LIQUIDITY

Historically, and currently, Urban&Civic has financed its capital and working capital requirements through a combination of cashflow from operating activities, borrowings and equity. Urban&Civic's liabilities mainly consist of committed bank facilities and non-convertible PECs held by Urban&Civic shareholders, and such sources of funds have fulfilled Urban&Civic's commitments. For a description of Urban&Civic's level of borrowings see paragraph 5.2 of this Part 14. There is no seasonality of borrowings. For the maturity profile of Urban&Civic's debt, see "Contractual Obligations and Commitments" in paragraph 7 of this Part 14 and "Material Contracts" in paragraph 16.2 in Part 20 of this document.

Urban&Civic Group's foreseeable operational cashflow requirements, before any consideration of the transaction set out in this document, would be met through a combination of working capital balances, future net rental income receipts and the ongoing support of the Urban&Civic Group's parent company.

As at 31 March 2014, the Urban&Civic Group held cash and equivalents in the amount of £4,238,000.

5.1 Cash flows

Urban&Civic's consolidated statement of cash flows for the years ended 31 December 2013, 2012 and 2011 are as follows:

	<i>Year ended 31 December</i>		
	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(£'000, except per share data)</i>		
Cash flows from operating activities			
Profit/(loss) before taxation	28,738	(3,406)	(7,090)
Adjustments for:			
Finance income	(1)	(6)	(13)
Finance costs	2,543	2,235	2,591
Depreciation charge	18	39	34
(Surplus)/deficit on revaluation of investment properties	(31,027)	1,625	5,084
Cash flows from operating activities before change in working capital	271	487	606
Increase in trading properties	(104)	–	–
Decrease in trade and other receivables	(72)	(103)	(46)
Increase/(decrease) in trade and other payables	283	215	(83)
Cash generated from operations	378	599	477
Finance costs paid	(160)	–	–
Finance income received	1	6	13
Tax paid	(178)	(118)	(67)
Net cash flows from operating activities	41	487	423
Investing activities			
Increase in investment properties	(8,636)	(5,884)	(3,252)
Additions to property, plant and equipment	(10)	(4)	(20)
Net cash flows from investing activities	(8,646)	(5,888)	(3,272)
Financing activities			
Proceeds from issuance of ordinary shares	15	–	15
New loans	9,482	1,000	3,144
Issue costs of new loans	(277)	–	–
Net cash flows from financing activities	9,220	1,000	3,159
Net increase/(decrease) in cash and cash equivalents	615	(4,401)	310
Cash and cash equivalents at 1 January	573	4,974	4,664
Cash and cash equivalents at 31 December	1,188	573	4,974

Net cashflows from operating activities

Net cash inflows from operating activities were £0.04 million in 2013, £0.5 million in 2012 and £0.4 million in 2011. Operating cashflows historically have been principally driven by rental income, which is reflected in the income statement in "Revenue", and movements in trading properties and working capital.

Net cashflows (used in) investing activities

Net cashflows (used in) investing activities were £(8.6) million in 2013, £(5.9) million in 2012 and £(3.3) million in 2011. Investing cashflows are principally driven by the cash outflow arising from capital expenditures at Alconbury Weald.

Net cashflows from financing activities

Net cashflows from financing activities were £9.2 million in 2013, £1.0 million in 2012 and £3.2 million in 2011. Financing cashflows primarily reflect inflows of funds from drawings on committed bank facilities and the issuance of PECs, net of cash outflows arising from the costs of arranging additional bank facilities. In 2013, the increase in net cashflows from financing activities was primarily due to Urban&Civic's entry into a £9.5 million revolving credit facility with The Royal Bank of Scotland. In 2012 and 2011, net cashflows from financing activities reflect the issuance of £1.0 million and £3.1 million non-convertible PECs, respectively.

5.2 Debt

Urban&Civic's debt is comprised of bank facilities and subordinated loans, both of which are non-current liabilities.

Bank facilities represent a £9.5 million revolving credit facility with The Royal Bank of Scotland, which matures in 2015. As at 31 December 2013, such loan was fully drawn and was a £9.3 million liability (net of £0.2 million of loan arrangement costs) on the consolidated statement of financial position.

Subordinated loans are in the form of non-convertible PECs, which mature between 2059 and 2062 and were a £71.4 million liability (net of £0.2 million unamortised issue costs) on the consolidated statement of financial position. The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue for similar non-convertible debt. Subsequently, the liability is measured at amortised cost. The interest expense on the liability component is accrued daily and calculated on the basis of 365 days per annum with the contracted applicable rate of 14.07 per cent.

The following table summarises the maturity of Urban&Civic's borrowings as at 31 December 2013:

	<i>Currency</i>	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Carrying amount £'000</i>
PECs				
PECs issued 2009	Sterling	14.07%	2059	54,676
PECs issued 2011	Sterling	14.07%	2061	15,711
PECs issued 2012	Sterling	14.07%	2062	1,156
Bank facilities put in place 2013	Sterling	LIBOR +275 bps	2015	9,482
Derivatives contracted 2013	Sterling	0.81%	2015	5
Unamortised arrangement costs				(325)
Total				<u>80,705</u>

5.3 Covenants and gearing

Urban&Civic's revolving credit facility with The Royal Bank of Scotland contains financial covenants that limit its loan-to-value ratio and imposes debt-to-net rental income and interest cover ratio thresholds. Urban&Civic is in full compliance with its financial covenants as at 31 December 2013, 2012 and 2011. The status of these financial covenants as at 31 December 2013 was as follows:

	<i>Covenant</i>	<i>Actual</i>	<i>Status</i>
Loan-to-value	50% maximum	50%	Compliant
Interest cover	240% minimum	394%	Compliant
Debt-to-net income cover ¹	950% maximum	718%	Compliant

1 Debt to net income cover is calculated by dividing the amount of loan drawn at the test date by the net rental income for the previous 12-month period. Net rental income comprises gross receipts in respect of Alconbury Weald less tenant contributions, operational costs and third-party management costs.

6. CAPITAL EXPENDITURES

Urban&Civic's significant capital expenditures have been in connection with Alconbury Weald. Movements in the carrying value of Alconbury Weald, including capital expenditure incurred over the period 2011 to 2013, comprise:

<i>(£'000)</i>	<i>Total</i>	<i>Additions in the year</i>			<i>Total</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Acquisition costs	34,225	–	–	3	34,222
Planning costs	6,231	1,639	2,390	1,690	512
Site enabling expenditure	6,655	4,582	2,058	15	–
Capitalised overheads and interest	25,984	8,752	7,177	5,526	4,529
Revaluation surplus/(deficit)	27,905	31,027	(1,625)	(5,084)	3,587
	<u>101,000</u>	<u>46,000</u>	<u>10,000</u>	<u>2,150</u>	<u>42,850</u>

The property classification within the consolidated statement of financial position is as follows:

<i>(£'000)</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	<i>2010</i>
Investment properties	55,455	55,000	45,000	42,850
Trading properties	45,545	–	–	–
	<u>101,000</u>	<u>55,000</u>	<u>45,000</u>	<u>42,850</u>

7. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarises our contractual obligations as of 31 December 2013:

	<i>Payments due by period (£'000)</i>				
	<i>Total</i>	<i>Less than</i>			<i>More than</i>
	<i>£'000</i>	<i>1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>5 years</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contractual obligations					
Preferred equity certificates ¹	527,742	–	–	–	527,742
Bank facilities ²	10,046	399	9,647	–	–
Derivative financial instruments ³	4	10	(6)	–	–
Non-cancellable operating leases ⁴	193	181	9	–	3
Capital commitments ⁵	3	3	–	–	–
Total	<u>537,987</u>	<u>593</u>	<u>9,650</u>	<u>–</u>	<u>527,745</u>

1 Preferred equity certificates (PECs) represent subordinated non-convertible loans, which mature between 2059 and 2062. The certificates attract interest at a rate of 14.07 per cent., which accrues on a daily basis until there are sufficient surplus funds within Urban&Civic to make payment or the PECs are repaid, whichever is the earlier. The contractual cashflows set out in the table above represent the repayment of the £44.2 million principal and £483.5 million of accrued interest (calculated on an un-compounded basis) at maturity.

2 Bank facilities represent a £9.5 million revolving credit facility (RCF) with the Royal Bank of Scotland, which matures in 2015. Interest is paid quarterly up to the point of repayment.

- 3 Urban&Civic has entered into £4.75 million of interest rate swaps in respect of The Royal Bank of Scotland RCF. The contractual cashflows represent the difference between the fixed rate interest that Urban&Civic has contracted to pay and the variable rate interest it will receive up to the point of maturity (which is concurrent with the RCF maturity).
- 4 Represents rental payments under operating leases in respect of office accommodation, car parking, motor vehicles and other office equipment.
- 5 Relate to capital commitments contracted but not provided for in the annual accounts at Alconbury Weald.

8. OFF-BALANCE SHEET ARRANGEMENTS

Urban&Civic had no off-balance sheet arrangements during 2013, 2012 or 2011.

9. FINANCIAL DERIVATIVES

Urban&Civic enters into derivative transactions such as interest rate caps and floors in order to manage the risks arising from its activities. Derivatives are initially measured at fair value and are subject to annual re-measurement, which gives rise to non-cash adjustments in Urban&Civic's statements of profit and loss and other comprehensive income.

The Urban&Civic Group has four fixed-to-floating interest rate swaps, totalling £4.75 million, which represents approximately 50 per cent. of the £9.5 million nominal principal amount of debt under The Royal Bank of Scotland RCF. These swaps expire in June 2015, concurrently with the term of The Royal Bank of Scotland RCF.

10. CONTINGENT LIABILITIES

Urban&Civic has no material contingent liabilities.

11. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Urban&Civic's principal financial instruments comprise loans, interest rate swaps, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Urban&Civic Group's operations at appropriate cost and risk levels. Urban&Civic has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from Urban&Civic's financial instruments are interest rate risk, credit risk and liquidity risk. The Urban&Civic Directors review and agree policies for managing each of these risks. The magnitude of the risk is detailed below.

11.1 Interest rate risk

Urban&Civic holds cash balances on short-term deposit. Urban&Civic's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

Urban&Civic borrows cash in the form of loans, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in LIBOR and the bank base rate. Urban&Civic is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. Urban&Civic's exposure to interest rates relates to the effect of a rate change on the fair value of Urban&Civic's derivative financial instruments and the cost of servicing Urban&Civic's floating rate borrowings.

As at 31 December 2013, floating rate financial liabilities were £9.3 million (net of £0.2 million of loan arrangement costs) and fixed rate financial liabilities were £71.4 million. Financial liabilities on which no interest was charged were £1.9 million. Floating rate financial liabilities under The Royal Bank of Scotland RCF bear an average variable interest rate of LIBOR plus 2.75 per cent.

Floating rate financial liabilities were subject to interest rate swap movements of £5,377 in 2013, which reflects Urban&Civic's contracted interest rate swaps in respect of The Royal Bank of Scotland RCF. These swaps expire in June 2015, concurrently with the term of The Royal Bank of Scotland RCF. As

at 31 December 2013, £4.75 million nominal principal amount of the floating rate financial liabilities under The Royal Bank of Scotland RCF was unhedged, and each one percentage increase or decrease in the interest rate at such date would have resulted in a corresponding increase or decrease of £0.05 million in Urban&Civic's interest payable and a corresponding decrease or increase in profits.

11.2 Liquidity risk

Urban&Civic's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. Cash flow and funding needs are regularly monitored.

Urban&Civic's policy is that there should always be a minimum of £0.5 million of undrawn committed funds available for a period three months forward after allowing for all projected cash flows over such period. The actual liquidity position at 28 February 2014 was £5,056,000.

11.3 Credit risk

Urban&Civic's principal financial assets are cash, trade receivables and amounts recoverable under construction contracts. Cash deposits are placed with a range of banks to minimise the risk to the Urban&Civic Group. The principal risk therefore arises from trade receivables and amounts recoverable under construction contracts. Trade receivables predominantly comprise rental and service charge amounts due from tenants which whilst unsecured, do not form a significant credit risk as no tenant accounts for more than 15 per cent. of total rent. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to militate against financial loss from defaults. Amounts recoverable under construction contracts are due from local authorities, which are not considered to have a high credit risk.

There are no financial assets held at fair value (£nil in 2012 and 2011). The maximum amount due from any single party, which is included in "Trade and other receivables" on the consolidated statement of financial position is £86,550 (£86,550 in 2012 and £46,975 in 2011).

12. INFLATION

Changes in investment property valuations are reflected in Urban&Civic's consolidated statement of other comprehensive income under "Surplus/(deficit) on revaluation of investment properties", and changes in trading property valuations would be required to be carried on the consolidated statement of financial position at the lower of cost and NRV. Property valuations may therefore be significantly impacted by inflation. However, Urban&Civic has not historically been affected materially by inflation.

13. SEASONALITY

Urban&Civic's businesses are not significantly affected by seasonal trends.

14. CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated gross indebtedness of the Urban&Civic Group as at 28 February 2014 and the consolidated Urban&Civic Group capitalisation as at 31 December 2013. The figures for capitalisation have been extracted without material adjustment from the historical financial information on the Urban&Civic Group for the period ended 31 December 2013, included in Part 16 of this document. The indebtedness figures have been extracted from the underlying accounting records of the Urban&Civic Group as at 28 February 2014.

	<i>As at 28 February 2014 (unaudited) (£000's)</i>
Total non-current debt:	
– Secured ¹	9,482
– Unsecured ²	78,181
	<hr/>
Total indebtedness	87,663
	<hr/> <hr/>

	<i>As at 31 December 2013 (unaudited) (£000's)</i>
Capitalisation:	
– Share capital	1,500
– Retained earnings	19,180
	<hr/>
Total capitalisation:	20,680
	<hr/> <hr/>

1 The bank facility is secured by legal charges over the Urban&Civic Group's investment and trading properties and share capital of the property owning subsidiary. The bank facility is stated gross of loan arrangement costs.

2 The Preferred Equity Certificates are stated gross of loan arrangement costs.

Capitalisation does not include retained earnings which would fluctuate on a day to day basis.

There has been no net change in Urban&Civic's capitalisation since 31 December 2013 to the date of this document.

The following table shows the consolidated Urban&Civic Group net financial indebtedness as at 28 February 2014.

	<i>As at 28 February 2014 (unaudited) (£000's)</i>
Cash	5,056
	<hr/>
Liquidity	5,056
	<hr/>
Non-current bank borrowings	9,482
Other non-current borrowings	78,181
	<hr/>
Non-current financial indebtedness	87,663
	<hr/>
Net financial indebtedness	82,607
	<hr/> <hr/>

As at 28 February 2014, the Urban&Civic Group had no capital commitments.

PART 15

OPERATING AND FINANCIAL REVIEW OF TERRACE HILL

The operating and financial review should be read in conjunction with Terrace Hill's audited historical consolidated financial information and the notes explaining the financial statements for the three years ended 30 September 2013, 2012 and 2011 and the three months ended 31 December 2013 which is contained in Part 17 of this document. Terrace Hill's financial information has been prepared in accordance with IFRS. For a discussion of Terrace Hill's significant accounting policies, see paragraph 2.7 of this Part 15 headed "Critical accounting policies under IFRS". Investors should read Terrace Hill's financial information in its entirety and not merely rely on the information contained in this section. Some of the information in the following discussion and analysis includes forward-looking statements that involve risks and uncertainties. See Part 2 ("Risk Factors") of this document for a discussion of important factors that could cause actual results to materially differ from the figures described in the forward-looking statements contained in this document.

1. BUSINESS OVERVIEW

Terrace Hill is a regionally based UK property development group with offices in London, Teesside, Manchester, Bristol and Glasgow. It has a long and successful development track record stretching back over 20 years and has a strong project pipeline. Terrace Hill's current development programme is focused on three main areas: foodstores, London offices and regional commercial development in the office, retail and industrial sectors and more recently student accommodation and leisure. Terrace Hill seeks to add value through utilising its skills and relationships to source opportunities, manage the planning process and in project managing the development. The Terrace Hill Group achieves superior risk-managed returns on equity through the use of pre-lettings and forward fundings, conditional site purchases and options with the use of appropriate levels of debt.

2. FACTORS AFFECTING THE RESULTS OF TERRACE HILL'S OPERATIONS

2.1 Development pipeline

Terrace Hill is a regionally based UK property development group which has since 2009 developed 14 significant development projects. Terrace Hill's development pipeline represents its ability to procure new opportunities and translate those into completed developments, which is also contingent upon the state of the real estate sector and of the UK economy. In the last three years, during the downturn in the real estate market, Terrace Hill has looked to decrease the risk of its development pipeline by a variety of methods, including:

- forward funding, in which a counterparty agrees to (i) buy the asset before the construction phase of the project has started and takes title to the property as part of that agreement and (ii) fund the construction phase of the project;
- holding titles to some property with a view to renting those properties in the short or medium term until such time as the properties can be sold; and
- selling off certain non-core assets, whether or not developed, particularly in relation to Terrace Hill's residential portfolio and certain joint ventures in which Terrace Hill owns a minority interest.

In the year ended 30 September 2011, Terrace Hill made sales of assets with a GDV of £52.9 million (195,500 sq. ft.), of which 80 per cent. was sold after development and 20 per cent. was pre-sold. In the year ended 30 September 2012, Terrace Hill made sales of properties with a GDV of £182.5 million (275,300 sq. ft.), of which 7 per cent. was sold after development, 5.0 per cent. was development site sales and 88 per cent. was held in a joint venture. In the year ended 30 September 2013, Terrace Hill completed the sale of properties with a GDV of £70.8 million (308,000 sq. ft.), of which 91.8 per cent. was forward funded and 8.2 per cent. was sold after development.

2.2 Investment properties and development properties

Terrace Hill owns both development and investment properties. Over the past few years, Terrace Hill has substantially reduced its investment property portfolio as it has been exiting from the residential

sector. As at 31 December 2013, of total properties owned, 0.2 per cent. were investment properties (which are classified as current assets held for sale on its consolidated balance sheet) and 99.8 per cent. were development properties (which include the development properties retained for income). Terrace Hill's investment properties reflect the remaining residential properties, which are owned but subject to a sales programme. Terrace Hill does not typically own its properties once they have been developed. At 31 December 2013, the value of Terrace Hill's development properties retained for income makes up 14.6 per cent. of the properties held at that date. The majority of Terrace Hill's recent developments have been forward funded, with title passing immediately to the counterparty.

Depending upon whether the properties are investment properties or properties for development, the valuations differ and have differing impacts on both Terrace Hill's consolidated balance sheet and consolidated profit and loss accounts. The investment properties Terrace Hill owns are valued at semi-annual intervals by professionally qualified external valuers. The resulting valuations reflect the valuers' opinions of the aggregate market values of Terrace Hill's property portfolio, calculated in accordance with instructions issued by the Royal Institution of Chartered Surveyors. In addition to affecting Terrace Hill's balance sheet, under IFRS changes in property valuations appear in Terrace Hill's consolidated income statements under "profit/(loss), on revaluation of investment properties", which significantly impacts Terrace Hill's operating profit/(loss). These valuation surpluses or deficits reflect the difference between the fair value of Terrace Hill's portfolio at the reporting date and its carrying value prior to re-measurement. Such valuation changes do not have an impact on Terrace Hill's cashflow.

The development properties that Terrace Hill owns are required to be carried on the balance sheet at the lower of cost and NRV. For undeveloped development properties, the determination of NRV is carried out by assessing the land value through a development appraisal. A development appraisal generally determines the following: GDV of the completed development less costs (including land) equals profit.

The GDV of a completed development is usually determined by arriving at the expected rent roll for the development and applying a capitalisation rate to the rent. Depending on the degree of progress on the development the rent roll will either be as set out in an agreement for lease with a prospective tenant or will be management's estimate of the rent receivable. The capitalisation rate is determined by management taking account of similar developments carried out by Terrace Hill, Terrace Hill's knowledge of similar market transactions and advice from external sources, such as property agents or firms of chartered surveyors.

The costs include all costs to deliver the completed development and therefore include:

- the land cost;
- expected taxes and costs attributable to the purchaser of the completed development;
- professional fees;
- construction costs;
- legal, letting and sales agents' fees; and
- interest.

Terrace Hill's management team relies on its long history of commercial property development to estimate the above costs (other than the land cost), which they are typically able to determine to a high degree of precision. Management typically uses a commercial software programme called Argus Developer to capture these costs.

Profit is the difference between GDV and total costs, and it is expressed in an amount and as a percentage of GDV.

Management uses its experience to determine what level of profit it expects Terrace Hill to achieve on each development and then revises the land cost within total costs until the profit reaches Terrace Hill's required profit percentage, which is typically 15 per cent. to 20 per cent.

Terrace Hill then compares its actual land cost to a computed NRV. If the computed NRV is lower than the actual land cost Terrace Hill will make a provision in its IFRS accounts and reduce the carrying value of the land to NRV.

2.3 Revenue recognition on property development

Terrace Hill's primary revenue source is the sale of developed properties. In order to decrease the risk to its development pipeline, Terrace Hill has recently forward funded a majority of its development projects with counterparties, in which a counterparty agrees to: (i) buy the asset before the construction phase of the project has started and takes title to the property as part of that agreement and (ii) fund the construction phase of the project. As a result, under IFRS Terrace Hill typically recognises revenues on a property development in advance of receiving cash payments on the property. This potential mismatch in the timing of Terrace Hill's recognised profit and operating cashflows results in accounts receivable balances to the extent that profits recognised are greater at any point than cash received.

2.4 Exit from the residential market and unwinding of Terrace Hill Residential

Terrace Hill's key focus is the development of commercial property, including foodstores and other retail and office accommodation. Historically, Terrace Hill also invested in residential properties. These residential properties were either wholly owned by Terrace Hill or held through Terrace Hill Residential ("THR"), an associated company with Terrace Hill's Chairman, Robert Adair. THR was formed to acquire the Nationwide residential portfolio (known as the "at.Home" residential portfolio) in 2006 for approximately £272 million. The portfolio was acquired through a combination of shareholder loans and senior debt finance. The strategy of THR at its inception was to sell portions of the portfolio to residential investors and make investment profits from having bought at a lower price than that at which the sales were made. From the date of THR's acquisition of the "at.Home" residential portfolio through 2010, THR sold £56.7 million of property.

As part of the original acquisition of the "at.Home" residential portfolio by THR, the senior lender to THR required principal guarantees from THR's shareholders. As part of a refinancing of the loan in the year ended 30 September 2010, the senior lender required additional principal guarantees from each of the shareholders. At the time Terrace Hill was unable to increase its shareholder guarantee but its Chairman was able to increase his shareholder guarantee by £5 million. As a result, Terrace Hill agreed to pay a fee of 4.41 per cent. per annum to its Chairman on this £5 million commitment (being the amount by which the Chairman's guarantee exceeded the guarantee provided by Terrace Hill).

During the year ended 30 September 2011, Terrace Hill decided to sell the residential assets owned by it and by THR, the sales prices of which often reflected a discount to the individual vacant possession values at which the properties had been held. Terrace Hill and THR therefore decided to reflect the discounted prices by changing the basis of valuation of the properties from the individual vacant possession value to the discounted investment value.

The discounted investment value basis of valuation resulted in lower valuations being adopted and consequently Terrace Hill made a provision for the full amount of its loan to THR (which was £14.9 million) and a £0.9 million provision against its guarantee exposure of £15.0 million. In its accounts for the year ended 30 September 2011 Terrace Hill made a further provision of £5.1 million against its guarantee exposure. During the years ended 30 September 2012 and 2013 Terrace Hill and THR continued to sell the residential properties held by both and during the year ended 30 September 2013 Terrace Hill was able to reach a negotiated settlement with the senior lender to THR as regards its guarantee exposure, which was settled at £4.2 million during the three months ended 31 December 2013. Terrace Hill's consolidated financial statements for the years ended 30 September 2013, 2012 and 2011 reflect these results, which were significantly affected by sales of its residential portfolio, including the "at.Home" portfolio whose sales were attributed to THR (an equity accounted associate with a wholly-owned subsidiary) and Terrace Hill (Property Investment No.2) Ltd (a wholly-owned subsidiary of the Terrace Hill Group). THR and its wholly-owned subsidiary made sales of £41.5 million for the year ended 30 September 2011, £91.4 million for the year ended 30 September 2012 and £64.6 million for the year ended 30 September 2013. Terrace Hill (Property Investment No.2) Ltd made sales of £4.6 million in the year ended 30 September 2013 which were reflected in the profit/(loss) in discontinued operations.

In addition, in relation to THR and Terrace Hill Lettings ("THL"), a wholly-owned subsidiary of THR acquired various properties from a third party in 2006. The structure for the acquisitions has been the subject of an enquiry by HMRC, focusing on stamp duty land tax ("SDLT"). Similar structures have recently been challenged successfully by HMRC in third party litigation with other taxpayers and, following these cases, HMRC are starting to issue assessments in respect of outstanding cases. There

is a risk that HMRC will assess around £9.6 million of SDLT and £3.3 million of interest as being payable by THR and THL (and may try and accelerate payment of this amount under the new accelerated payments regime or follower notice regime). However, THR and THL no longer own those properties and are both insolvent. Neither THR nor THL has any assets and are both contemplating entering into liquidation. Terrace Hill has been advised that HMRC have no powers to seek any payment of such SDLT or related interest from anyone other than the relevant taxpayer (THR and THL as applicable). There is a risk that HMRC could seek to examine the actions of THR and THL since 2006 to ascertain whether creditors have been disadvantaged, or UK company law has otherwise been breached but the Company is advised that no such actions are likely to be susceptible to successful challenge.

2.5 Joint ventures

Terrace Hill enters into joint ventures, associates and investments in order to introduce co-investment capital into its property developments. Terrace Hill holds a minority stake in most of these vehicles, the assets, liabilities and results of which have not been consolidated into Terrace Hill's financial results but are reflected in the "Share of joint venture and associate undertakings post tax profit" line item in the consolidated financial statements.

Terrace Hill Development Partnership

The Terrace Hill Development Partnership (the "Development Fund") is an associate of Terrace Hill. In April 2006, the Development Fund raised £10 million of capital, of which Terrace Hill contributed £2 million. Third-party investors receive their capital (and a priority return) before Terrace Hill. Terrace Hill has a 20 per cent. interest in the Development Fund.

The Development Fund was seeded with seven development sites that were owned by Terrace Hill and that were purchased at market value. The Development Fund has developed, let and sold all sites except three, which as at 31 March 2013 had a combined estimated total market value of £8.65 million. Terrace Hill's strategy is to complete lettings and then sell the remaining sites.

Devcap 2 Partnership

The Devcap 2 Partnership ("Devcap 2") is an associate of Terrace Hill. Devcap 2 was established in 2006 with a Middle Eastern property fund to develop two office buildings on the edge of Vanwall Business Park, Maidenhead, which were as at 31 December 2013 substantially fully let and income producing. Terrace Hill has a 26 per cent. interest in Devcap 2. Due to the decrease in commercial property values in 2008, Terrace Hill wrote off its investment in Devcap 2 in that year and subsequently made a £2.1 million provision for its liability under an interest shortfall guarantee, which was fully satisfied in the year ended 30 September 2013. Terrace Hill continues to manage Devcap 2 and expects that its properties will be disposed of in the year ending 30 September 2014.

Howick Place

The Howick Place Joint Venture S.à r.l ("Howick") is a joint venture with the Doughty Hanson Real Estate Fund that was established in 2006 to acquire and redevelop an office in the Victoria area of London. Terrace Hill has a 6 per cent. interest in Howick. The office redevelopment was completed in the year ended 30 September 2013 and is 25.6 per cent. let. As at 31 December 2013, Terrace Hill's investment in Howick was £3.5 million (plus £0.8 million of interest).

Two Orchards Limited

Two Orchards Limited ("Two Orchards") was a 50-50 joint venture between Terrace Hill and a German bank, which also provided debt financing. Two Orchards developed two office buildings in 2009 in Bracknell in the Thames Valley, each approximately 100,000 sq. ft. but was unable to secure tenants due to the economic downturn. Third-party valuations fell, resulting in Two Orchards breaching its loan-to-value covenant under the debt financing. As a consequence, Two Orchards was put into administration in May 2011. Terrace Hill had entered into an interest shortfall guarantee of £3 million in respect of the debt. Terrace Hill has paid its liability under this guarantee as at 30 September 2012. Other than this guarantee, the bank has had no recourse to Terrace Hill.

Terrace Hill also provided a guarantee to Bracknell Forest Borough Council in respect of the section 278 works for Two Orchards. Terrace Hill has a small contingency in relation to the guarantee.

2.6 **Adjusted financial information**

The Terrace Hill Group's financial information presents the results of the Terrace Hill Group on both an IFRS and an adjusted basis. The adjusted financial information has been prepared both in accordance with the EPRA guidelines as they apply to development property companies and also in order to give a better understanding of Terrace Hill's underlying performance. Revenue profit, EPRA NAV and EPRA Triple NAV are not measures of performance under IFRS, should not be considered as alternatives to measures based on IFRS and may not be computed in the same manner as similarly titled measures presented by other companies. The Directors have included those measures because they use them to measure business performance and because IFRS does not reflect the impact of items that the Directors have determined are exceptional or those items adjusted in accordance with EPRA.

Terrace Hill's revenue profit is calculated from IFRS reported profit before tax and eliminates valuation movements and contributions from associates because they are considered by Terrace Hill to be outside of Terrace Hill's control and are not reflected in cash movements. Similarly, Terrace Hill's EPRA NAV includes adjustments to reflect Terrace Hill's opinion of the market value of its development properties and other accounting adjustments which would be affected if the development properties were sold. Terrace Hill's EPRA Triple NAV reflects the elimination of goodwill from Terrace Hill's EPRA NAV.

2.7 **Critical accounting policies under IFRS**

Terrace Hill's financial information is sensitive to accounting policies, assumptions and estimates that underlie the preparation of its financial statements. Terrace Hill bases its estimates on historical experience and on other various assumptions and the Board believes that the judgements, estimates and associated assumptions used in the preparation of Terrace Hill's financial information are reasonable. However, actual results may differ from these estimates. The selection of critical accounting policies and associated judgements and estimates, and the sensitivity of reported results to changes in Terrace Hill's conditions and assumptions, are factors to be considered when reviewing Terrace Hill's financial information. The Board believes that Terrace Hill's critical accounting policies that involve the most significant judgements and estimates used in the preparation of Terrace Hill's financial information are accurately described in Note 1 to Terrace Hill's consolidated financial statements for the year ended 30 September 2013, and critical judgements are disclosed within the relevant paragraphs to which such judgements have been applied.

Classification of property

Properties and land are classified as investment property, under IAS 40, when they are held to earn rentals or for capital appreciation (or both). Properties and land are classified as inventories (development and trading properties), under IAS 2, when assets are held for sale in the ordinary course of business (finished goods), assets are in the production process for sale in the ordinary course of business (work in process), and materials and supplies that are consumed in production (raw materials). Investment properties are initially measured at cost and are subsequently measured using fair value, with changes in the fair value being recognised in profit or loss account. Inventories are measured at the lower of cost and NRV. Cost includes the expenses incurred for purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. NRV is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale. Any write-down to NRV is recognised as an expense in the period in which the write-down occurs. Any reversal is recognised in the income statement in the period in which the reversal occurs.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to Terrace Hill and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

(a) *Sale of property*

Revenue from the sale of development and investment properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

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

(b) *Development income*

Development revenue and profits are recognised in accordance with IAS 11 "Construction Contracts" or IAS 18 "Revenue" depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser.

(c) *Rental income*

Rental income arising from property is accounted for on a straight line basis over the term of the lease.

(d) *Fees and other income*

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

Taxation

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

Deferred tax is provided on all temporary differences, except:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and, at the same time of the transaction, affects neither accounting nor taxable profit; and
- investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by Terrace Hill and it is probable that the temporary difference will not reverse in the foreseeable future.

There is a potential corporation tax liability of approximately £2.6 million (net of the return of any monies held in escrow) should it be determined that the consortium relief claims submitted by six entities in the Terrace Hill Group were invalid. Corporation tax assessments have been issued by HMRC and appealed by the relevant Terrace Hill Group companies. HMRC could seek an accelerated payment of the disputed tax, or be at risk of penalties before the case could be litigated, if HMRC are successful in another pending case that has similar facts.

3. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION AND COMPARISON OF LINE ITEMS

Consolidated results of operations under IFRS

The following discussion and analysis contains information regarding Terrace Hill's results of operations for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011:

	<i>Three months ended 31 December 2013</i>	<i>Year ended 30 September 2013</i>	<i>2012</i>	<i>2011</i>
	<i>(£'000, except for share and per share information)</i>			
Revenue	2,084	48,486	65,899	66,410
Direct costs	(4,803)	(35,913)	(51,743)	(60,815)
Gross profit	(2,719)	12,573	14,156	5,595
Administrative expenses	(1,299)	(6,074)	(4,747)	(4,343)
Loss on disposal of investment property	–	(35)	–	–
Impairment of joint venture and associated undertakings	–	–	(219)	(1,000)
Loss on revaluation of investment properties	–	–	(500)	(500)
Operating profit	(4,018)	6,464	8,690	(248)
Finance income	34	204	251	457
Finance costs	(204)	(1,096)	(1,277)	(4,532)
Share of joint venture and associated undertakings post tax profit/(loss)	–	43	(200)	(236)
Profit before tax	(4,188)	5,615	7,464	(4,559)
Tax	417	(1,271)	(58)	(184)
Profit from continuing operations	(3,771)	4,344	7,406	(4,743)
Profit/(loss) from discontinued operations¹	150	586	(5,664)	(5,680)
Total comprehensive income²	(3,621)	4,930	1,742	(10,423)
Profit/(loss) attributable to:				
Equity holders of the parent from continuing operations	(3,771)	4,344	7,406	(4,743)
Equity holders of the parent from discontinued operations	150	586	(5,664)	(5,680)
	(3,621)	4,930	1,742	(10,423)

¹ Reflects Terrace Hill's sale of its residential portfolio.

² Terrace Hill had no amounts of other comprehensive income in any of the periods set out above, and the (loss)/income for the respective year is wholly attributable to equity shareholders.

	<i>Three months ended</i>		<i>Year ended 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(£'000, except for share and per share information)</i>			
Total comprehensive income attributable to:				
Equity holders of the parent from continuing operations	(3,771)	4,344	7,406	(4,743)
Equity holders of the parent from discontinued operations	150	586	(5,664)	(5,680)
	<u>(3,621)</u>	<u>4,930</u>	<u>1,742</u>	<u>(10,423)</u>
Basic earnings per share from continuing operations³	(1.79p)	2.06p	3.51p	(2.25p)
Diluted earnings per share from continuing operations⁴	(1.79p)	2.05p	3.50p	(2.25p)
Total basic earnings per share³	(1.72p)	2.34p	0.83p	(4.94p)
Total diluted earnings per share⁴	(1.72p)	2.33p	0.82p	(4.94p)

³ The calculation of basic earnings per ordinary share is based on a loss of £3,621,000 (2013 profit: £4,930,000, 2012 profit: £1,742,000, 2011 loss: £10,423,000) and on 210,951,299 (2013: 210,951,299, 2012: 210,951,299, 2011: 210,951,299) ordinary shares, being the weighted average number of shares in issue during the year.

⁴ The calculation of diluted earnings per ordinary share for December 2013 (also year ended September 2011) is the same as that for basic earnings per share. The calculation for diluted earnings per ordinary share in September 2013 was based on earnings of £4,930,000 (2012: £1,742,000) and on 211,545,352 (2012: 211,426,546) ordinary shares being the weighted average number of shares in issue during the period adjusted to allow for the issue of ordinary shares in connection with share awards.

	<i>As at</i>		<i>As at 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Investment properties	126	162	15,178	21,393
Other non-current assets	13,154	12,952	15,079	14,920
Development properties	54,722	58,200	70,284	72,961
Trade and other receivables	11,805	14,573	17,251	9,918
Net debt	(15,402)	(17,485)	(47,166)	(51,408)
Other non-current liabilities	(659)	(867)	(851)	(917)
Other current liabilities	(11,627)	(11,986)	(19,562)	(18,733)
Net assets	<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>

Revenue

The following table summarises the Terrace Hill Group's revenue for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011:

	<i>Three months ended</i>		<i>Year ended 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Development sales and construction contracts	1,274	45,121	62,583	61,200
Rents receivable	503	2,162	2,451	3,254
Project management fees and other income	307	1,203	865	1,956
	<u>2,084</u>	<u>48,486</u>	<u>65,899</u>	<u>66,410</u>

Revenue from continuing operations for the three months ended 31 December 2013 was £2.1 million. Revenue from continuing operations was £48.5 million for the year ended 30 September 2013, £65.9 million for the year ended 30 September 2012 and £66.4 million for the year ended 30 September 2011. The Terrace Hill Group operates in two principal segments, being commercial property development and investment and private rented residential investment, although in 2013 it completed the sale of virtually all of its residential property which is treated as discontinued. The commercial segment includes foodstores, Central London office developments and regional developments. The Terrace Hill Group does not operate outside the UK. The residential property investment segment has been treated as discontinued. Revenue is driven by development sales and construction contracts.

Development sales for the three months ended 31 December 2013 were £1.3 million, of which £0.6 million was attributable to Southampton student accommodation site sales and £0.5 million was attributable to sales of the industrial scheme at Christchurch. For the year ended 30 September 2013, development sales were £45.1 million, reflecting £20.8 million in sales of three foodstore schemes (Sedgefield, Skelton and Sunderland), £17.6 million in Southampton student accommodation site sales and £5.8 million in sales of the industrial scheme at Christchurch. Development sales for the year ended 30 September 2012 reflected the recognition of £55 million in sales of four foodstore schemes (Sedgefield, Skelton, Sunderland and Whitchurch). In the year ended 30 September 2011, the most significant development sales were of office buildings at Wilton Road (Victoria, London) and Teesside, as well as a foodstore site in County Durham.

Construction contract revenue is recognised in line with contract stage of completion, determined as the proportion of total estimated development costs incurred at the reporting date. No advances or retentions have been received for construction costs. The following table summarises the Terrace Hill Group's construction contracts, and the revenue and profit thereon, for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011:

Construction contracts

	<i>Three months ended 31 December 2013</i>	<i>Year ended 30 September</i>		
		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>(£'000, except for number of construction contracts)</i>			
Number of construction contracts	2	5	4	2
Revenue on construction contracts	743	28,687	47,004	16,030
Costs of construction contracts	(214)	(21,197)	(33,141)	(12,878)
Profit in construction contracts	<u>529</u>	<u>7,490</u>	<u>13,863</u>	<u>3,152</u>

In addition to development sales and construction contracts, revenue reflects rents receivable, project management fees and other income. In the year ended 30 September 2013, the Terrace Hill Group recognised £5.1 million in revenue from rent on and the sale of residential assets, which was reflected in profit/(loss) from discontinued operations.

Direct costs

Direct costs were £4.8 million for the three months ended 31 December 2013. Direct costs were £35.9 million for the year ended 30 September 2013, £51.7 million for the year ended 30 September 2012 and £60.8 million for the year ended 30 September 2011. Direct costs are driven by the costs of and expenditures related to property sales, as well as adjustments in the carrying value of development properties for the difference between the net realisable value and the cost of development properties.

In the three months ended 31 December 2013, the Terrace Hill Group recognised £0.6 million in direct costs (transferred from work in progress) for the industrial scheme at Christchurch. In the year ended 30 September 2013, the Terrace Hill Group incurred sales related costs of £16.2 million for the Sedgefield, Skelton and Sunderland foodstore schemes, £5.6 million for the Christchurch industrial scheme and £5.6 million for the Southampton student accommodation site. These costs were a combination of construction costs, sales related costs and a transfer of previously incurred costs from work in progress. In the year ended 30 September 2012, the Terrace Hill Group incurred £37.6 million of costs related to the Sedgefield, Skelton, Sunderland and Whitchurch foodstore schemes, and direct costs in the year ended

30 September 2012 also reflected the full provision of £2.8 million against the Terrace Hill Group's advance to Achadonn Limited following the decision by its shareholders not to support a bank loan to that entity. In the year ended 30 September 2011, £31.1 million of costs were related to the office buildings at Wilton Road and Teesside and the foodstore site in County Durham.

The Terrace Hill Group made a £4.3 million provision against net realisable value of two of its development properties in the three months ended 31 December 2013 and made a £1.3 million release of a provision against net realisable value in respect of one development property. The Terrace Hill Group also made provisions against net realisable value of its development properties of £1.7 million in 2013, £1.4 million in 2012 and £6.7 million in the year ended 30 September 2011.

Administrative expenses

Administration expenses for the three months ended 31 December 2013 were £1.3 million. Administration expenses were £6.1 million in the year ended 30 September 2013, £4.7 million in the year ended 30 September 2012 and £4.3 million in the year ended 30 September 2011.

Administration expenses increased in the year ended 30 September 2013 due to an accrual of a discretionary bonus (equal to £0.7 million), to the Terrace Hill Group's executive directors as well as increases in professional fees. These expenses were otherwise relatively stable in the years ended 30 September 2013, 2012 and 2011 and reflect consistent administrative staff costs, fixed accommodation costs and stable staff levels.

Impairment of joint venture and associated undertakings

Impairment of joint venture and associated undertakings was £0.2 million in the year ended 30 September 2012, reflecting a portion of the Terrace Hill Group's write-off of its investment in Achadonn Limited (the other portion being reflected in "Share of joint venture and associated undertaking post tax profit/loss"). The Terrace Hill Group also incurred a £1.0 million impairment in the year ended 30 September 2011 as a provision against its investment in the Development Fund.

Loss on revaluation of investment properties

The loss on revaluation of investment properties was £0.5 million in each of the years ended 30 September 2012 and 2011, reflecting a provision for commercial investment property that the Terrace Hill Group disposed of in the year ended 30 September 2013. The loss on revaluation of the residential investment properties for all years has been disclosed as part of the profit/(loss) from discontinued operations.

Finance costs and finance income

The following table summarises the Terrace Hill Group's finance costs and finance income for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011:

	<i>Three months ended</i>		<i>Year ended 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest payable on borrowings	273	1,452	1,890	2,906
Interest shortfall guarantee	–	–	–	2,000
Interest capitalised ¹	(69)	(356)	(613)	(374)
Finance costs	204	1,096	1,277	4,532
Interest receivable from cash deposits and other financial assets	34	204	251	457
Finance income	34	204	251	457

¹ Interest is capitalised at the same rate as the Terrace Hill Group is charged on the respective borrowings.

Finance costs were £0.2 million for the three months ended 31 December 2013. Finance costs were £1.1 million in the year ended 30 September 2013, £1.3 million in the year ended 30 September 2012 and £4.5 million in the year ended 30 September 2011. Net finance costs have decreased as the Terrace Hill Group has decreased net debt. Additionally, net finance costs for 2011 include a £2.0 million provision relating to an interest shortfall guarantee in respect of Devcap 2, which guarantee was subsequently released, and £1.3 million relating to interest expensed on development projects that the Terrace Hill Group's directors determined should not be capitalised. Finance income was £0.03 million for the three months ended 31 December 2013. Finance income was £0.2 million for the year ended 30 September 2013, £0.3 million for the year ended 30 September 2012 and £0.5 million for the year ended 30 September 2011. In the year ended 30 September 2011, £0.2 million of gains were included in finance income, representing the reversal of fair value adjustments on interest rate swaps that expired during the year ended 30 September 2011.

Share of joint venture and associated undertakings post tax profit/(loss)

The share of joint venture and associated understandings post tax profit/loss was £nil for the three months ended 31 December 2013. It was £0.04 million profit in the year ended 30 September 2013, £0.2 million loss in the year ended 30 September 2012 and £0.2 million loss in the year ended 30 September 2011. In each period, the share of such profit/(loss) relates to the Terrace Hill Group's recognition of the results of its investment in Achadonn Limited (which in 2012 was also reflected in "Impairment of joint venture and associated undertakings").

Tax

The Terrace Hill Group's tax charge was a credit of £0.4 million for the three months ended 31 December 2013, and its tax charge was £(1.3) million in the year ended 30 September 2013, £(0.06) million in the year ended 30 September 2012 and £(0.2) million in the year ended 30 September 2011.

In each period, tax reflects principally the restatement of the Terrace Hill Group's deferred tax asset to current rates of corporation tax, the utilisation of losses reflected in the deferred tax asset to shelter tax profits arising on property sales and recognition of other tax losses in the deferred tax asset. The Terrace Hill Group's corporate income tax rate decreased over the period shown, to a current rate of 23 per cent., from 27 per cent. for the year ended 30 September 2011.

Terrace Hill has a deferred tax asset of £5.4 million pounds as at 31 December 2013, which reflects the tax benefit of part of Terrace Hill's historic tax losses. Terrace Hill also has a current tax liability of £3.0 million as at 31 December 2013, which reflects its estimated liability under its open tax position with HMRC.

Adjusted financial information

The following discussion and analysis contains information regarding Terrace Hill's adjusted results for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011.

Revenue profit

The following table sets forth the reconciliation of Terrace Hill's revenue profit for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011 to its IFRS profit/(loss) before tax for the equivalent periods:

	<i>Three months ended 31 December 2013 (£'000) (unaudited)</i>	<i>Year ended 30 September</i>		
		<i>2013</i>	<i>2012</i>	<i>2011</i>
		<i>(£'000) (unaudited)</i>		
IFRS profit/(loss) before tax from continuing and discontinuing operations	(4,038)	6,201	1,800	(10,239)
WIP valuation movement	(3,005)	(946)	(565)	(6,106)
Investment property valuation	–	(11)	(530)	(4,128)
Investment property profit on sale	79	(271)	(570)	–
Other results (Share of associate)	–	1,811	(8,109)	(1,917)
Share of joint venture and associated undertakings post tax profit/(loss) for continuing and discontinuing operations	–	43	(200)	(1,695)
Interest guarantee	–	–	–	(2,000)
Goodwill write off	–	(823)	(148)	–
Total adjustments	<u>(2,926)</u>	<u>(197)</u>	<u>(10,122)</u>	<u>(15,846)</u>
Revenue profit	<u>(1,112)</u>	<u>6,398</u>	<u>11,922</u>	<u>5,607</u>

Revenue profit is impacted by the volume of development projects underway at any one time, as development profits are the biggest contributor to revenue profit and a key contributor to growth in EPRA NAV. Development profits are typically recognised incrementally through the development cycle. The level of development profits that are generated is a product of Terrace Hill's ability to acquire well-located land and secure planning consents, manage build costs and maximise rental levels on newly opened buildings. These factors, together with valuation yield, drive the profitability of the development schemes which together with the level of equity committed to development will determine the development profit contribution to EPRA NAV growth.

EPRA NAV and EPRA Triple NAV

The following table sets forth the reconciliation of the Terrace Hill Group's EPRA NAV and EPRA Triple NAV for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011 to its IFRS net asset value for the equivalent periods:

	<i>Three months ended 31 December 2013 (£'000) (unaudited)</i>	<i>Year ended 30 September</i>		
		<i>2013</i>	<i>2012</i>	<i>2011</i>
		<i>(£'000) (unaudited)</i>		
IFRS net asset value	52,119	55,549	50,213	48,134
Revaluation of property held as current assets ¹	5,274	5,711	10,026	11,641
Shares to be issued under LTIP arrangements	12	12	12	12
EPRA NAV ²	<u>57,405</u>	<u>61,272</u>	<u>60,251</u>	<u>59,787</u>
Goodwill ³	<u>(2,365)</u>	<u>(2,365)</u>	<u>(3,188)</u>	<u>(3,336)</u>
EPRA Triple NAV ⁴	<u>55,040</u>	<u>58,907</u>	<u>57,063</u>	<u>56,451</u>

¹ Adjustments reflect the market value of Terrace Hill's development properties, where value is above cost.

² Terrace Hill's EPRA NAV increased by 1.7 per cent. in the year ended 30 September 2013, to £61.3 million (28.8 pence per share), from £60.3 million (28.3 pence per share) in the year ended 30 September 2012. Terrace Hill's IFRS NAV also increased by 10.6 per cent. in the year ended 30 September 2013, to £55.5 million (26.2 pence per share) from £50.2 million in the year ended 30 September 2012.

During the year ended 30 September 2013, the increase in Terrace Hill's EPRA NAV resulted principally from (i) an increase from operations; (ii) an increase resulting from the partial release of Terrace Hill's provision for financial guarantee for debts of an associate; (iii) a decrease resulting from movement in the value of Terrace Hill's development properties; (iv) a decrease arising from the movement in value and sales of Terrace Hill's residential investment properties; and (v) an increase in other movements including tax and share-based payments.

³ As reported under IFRS.

⁴ EPRA Triple NAV, in addition to reflecting the write-off of goodwill, reflects any tax payable on profits arising if all Terrace Hill's properties were sold at the values used for EPRA NAV. No such tax was payable in any period shown.

Terrace Hill's EPRA Triple NAV, increased by 3.2 per cent. in the year ended 30 September 2013, to £58.9 million (27.7 pence per share), from £57.1 million (26.8 pence per share) in the year ended 30 September 2012.

EPRA adjustments relating to the revaluation of property held as current assets typically fall into two categories and vary from time to time as the status of development projects change. Firstly, in respect of active development projects, the value of a development project will increase as certain milestones are reached, such as the agreement of a pre-let arrangement and the securing of a planning permission. To the extent that a development project has reached one or more of these milestones at a financial year end, the Directors will assess the market value of such a project and compare it to the costs Terrace Hill has incurred in arriving at that position. To the extent that the market value is higher than the costs incurred then Terrace Hill will include a proportion of that excess as an EPRA adjustment. Secondly, Terrace Hill will include an EPRA adjustment relating to the revaluation of property held as current assets where the asset concerned is an income producing asset that Terrace Hill has previously developed and a market value can be established. In these situations Terrace Hill typically will involve an external independent valuer to arrive at a market value. This market value is compared with the book cost of the asset and an EPRA adjustment included representing the difference between the market value and the book cost.

4. CAPITAL RESOURCES AND LIQUIDITY

4.1 Overview

Historically, and currently Terrace Hill's liquidity requirements have arisen primarily from the need to fund its working capital and capital expenditures, as well as make interest and principal payments on its outstanding indebtedness. Terrace Hill's principal sources of liquidity have been its cash flows from operating activities, asset disposals and borrowings from banks, and such sources of funds have fulfilled Terrace Hill's commitments. For a description of Terrace Hill's level of borrowings, see the debt summary in paragraph 4.2 of this Part 15. There is no seasonality of borrowings. For the maturity profile Terrace Hill's debt see "Contractual Obligations and Commitments" in paragraph 6 of this Part 15 and "Material contracts" in paragraph 16.1 of Part 20 of this document.

Terrace Hill has historically had a policy of financing all of its on-balance sheet operations on a secured basis. Terrace Hill's off-balance sheet activities (which primarily relate to its joint ventures) have been financed on a secured basis without recourse to Terrace Hill other than in relation to certain limited guarantees. Historically, bank facilities were arranged with the aim of providing an appropriate maturity profile and to maintain short-term liquidity.

Terrace Hill's foreseeable operational cashflow requirement, before any consideration of the transaction set out in this document, would be met through a combination of working capital balances, future net rental income receipts and receipts from the disposal of development projects.

As at 31 March 2014, the Terrace Hill Group held cash and cash equivalents in the amount of £2,899,000.

4.2 Cash flows

The Terrace Hill Group's consolidated statement of cash flows for the three months ended 31 December 2013 and for the years ended 30 September 2013, 2012 and 2011 are as follows:

	<i>Three months ended</i> 31 December 2013 (£'000)	<i>Year ended 30 September</i> 2013 (£'000)	<i>2012</i> (£'000)	<i>2011</i> (£'000)
Cash flows from operating activities				
Profit before tax from continuing and discontinued operations	(4,038)	6,201	1,800	(10,239)
Adjustments for:				
Finance income	(34)	(215)	(261)	(508)
Finance costs	204	1,808	1,768	5,097
Share of joint venture and associated undertakings post tax loss	–	43	200	1,695
(Release of)/provision for financial guarantee for debts of associate	–	(1,811)	5,094	917
Depreciation charge	11	47	59	94
Impairment charge	–	823	148	–
Loss on revaluation of investment properties	–	11	530	4,128
Impairment of associated undertakings	–	–	219	1,000
(Profit)/loss on disposal of investment properties	(78)	271	570	–
Loss on sale of tangible fixed assets	–	11	–	(64)
Share-based payments	191	406	337	196
Cash flows from operating activities before changes in working capital	(3,744)	7,595	10,464	2,316
Decrease in property inventories	3,547	12,432	3,289	31,856
Decrease/(increase) in trade and other receivables	2,768	2,635	(7,334)	10,934
Decrease in trade and other payables	(360)	(5,800)	(3,475)	(1,999)
Cash generated from operations	2,211	16,862	2,944	43,107
Finance costs paid	(275)	(1,887)	(4,380)	(4,425)
Finance income received	34	215	261	590
Tax received/(paid)	–	36	(59)	(147)
Net cash flows from operating activities	1,970	15,226	(1,234)	39,125
Investing activities				
Sale of investment property and tangible fixed assets	122	14,744	5,115	100
Sale of investments	–	–	–	167
Purchase of property, plant and equipment	(11)	(18)	(28)	(70)
Net cash flows from investing activities	111	14,726	5,087	197
Financing activities				
Borrowings drawn down	–	2,744	10,426	1,325
Borrowings repaid	(3,167)	(30,212)	(19,824)	(30,743)
Net cash flows from financing activities	(3,167)	(27,468)	(9,398)	(29,418)
Net increase/(decrease) in cash and cash equivalents	(1,086)	2,484	(5,545)	9,904
Cash and cash equivalents at start of period	8,482	5,998	11,543	1,639
Cash and cash equivalents at end of period	7,396	8,482	5,998	11,543
Cash at bank and in hand	7,555	8,644	5,999	11,630
Bank overdraft	(159)	(162)	(1)	(87)
Cash and cash equivalents at end of period	7,396	8,482	5,998	11,543

Net cash flows from/(used in) operating activities

Net cash flows from operating activities were £2.0 million in the three months ended 31 December 2013. The Terrace Hill Group had net cash flows from operating activities of £15.2 million in the year

ended 30 September 2013, used net cash flows in operating activities of £1.2 million in 2012 and had net cash flows from operating activities of £39.1 million in the year ended 30 September 2011. Operating cash flows are principally driven by development sales, which are reflected in the income statement in "Revenue".

Net cash flows from investing activities

Net cash flows from investing activities were £0.1 million in the three months ended 31 December 2013. The Terrace Hill Group had net cash flows from investing activities of £14.7 million in the year ended 30 September 2013, £5.1 million in the year ended 30 September 2012 and £0.2 million in 2011. Cash flows from investing activities are principally driven by the Terrace Hill Group's sale of investment properties.

Net cash flows (used in) financing activities

Net cash flows used in financing activities were £(3.2) million in the three months ended 31 December 2013. The Terrace Hill Group had net cash flows used in financing activities of £(27.5) million in the year ended 30 September 2013, £(9.4) million in the year ended 30 September 2012 and £(29.4) million in the year ended 30 September 2011. Cash flows used in financing activities primarily reflect the Terrace Hill Group's repayment of its debt, which such repayment was £3.2 million in the three months ended 31 December 2013, and was £30.2 million in the year ended 30 September 2013, £19.8 million in the year ended 30 September 2012 and £30.7 million in the year ended 30 September 2011.

Terrace Hill Group debt

The following table summarises the Terrace Hill Group's borrowings as at 31 December 2013:

	<i>31 December 2013 (£m)</i>
Summary of debt position	
Book value of bank loans and overdrafts	23.0
Cash and cash equivalents	7.6
	<hr/>
Net debt	15.4
Net gearing ¹	26.5%
Group share of debt in associate	0.3
	<hr/>
Net debt including share of joint venture and associated undertaking debt	15.7
	<hr/>
Total net gearing ²	25.61%
	<hr/>
Loan to value ³	26.5%
	<hr/> <hr/>

¹ Net debt as a proportion of EPRA NAV.

² Net debt including share of joint venture and associated undertaking debt as a proportion of EPRA NAV.

³ Net debt as a proportion of EPRA asset values.

The book value of Terrace Hill's gross debt was reduced by £3.2 million from £26.1 million as at 30 September 2013, to £23.0 million as at 31 December 2013. This reduction was due to scheduled amortisation from cashflows amounting to £1.7 million, and £1.5 million from asset sales.

As at 31 December 2013, the nominal value of the Terrace Hill Group's committed bank facilities amounted to £23.2 million with unamortised issue costs of £0.2 million and a weighted average maturity of 1.4 years. The weighted average interest rate, including margin, payable on debt drawn as at 31 December 2013, was 3.74 per cent. and the weighted average margin was 3.21 per cent. All facilities were fully drawn with no undrawn commitments.

Subsequent to 31 December 2013, two loans totalling £0.6 million were repaid in full. A further loan was reduced by £2.8 million following asset disposals and an additional loan will be reduced by

approximately £3.8 million following the anticipated completion of a further asset disposal by the end of April 2014.

As at 31 December 2013, the nominal value of debt in an associate joint venture amounted to £1.4 million which was fully drawn with a margin of 3.5 per cent., interest rate (including margin) of 4.0 per cent. and a maturity of 15 months.

Bank debt is secured against Terrace Hill's property assets and Terrace Hill must comply with the relevant financial covenants of each loan. These typically relate to loan-to-value, interest cover and net asset value. In addition, there is a change of control covenant in cross-collateralised loans totalling £14.6 million nominal value as at 31 December 2013 (such loans have subsequently been reduced to £11.8 million, are expected to be further reduced to approximately £8.0 million by the end of April 2014 and are expected to be either renegotiated prior to completion or if required repaid shortly after completion of the Acquisition).

As at 31 December 2013, two of Terrace Hill's facilities had financial covenants:

	<i>Covenant</i>	<i>Actual</i>	<i>Status</i>
Terrace Hill Group level EPRA based consolidated net tangible asset	£40m minimum	£54.7m	Compliant
Portfolio specific loan-to-value ⁽¹⁾	70% maximum	14%	Compliant
Portfolio specific gross interest cover	175% minimum	716%	Compliant
Portfolio specific net interest cover	125% minimum	549%	Compliant

¹ Repaid as at 31 December 2013.

The net gearing and loan to value percentages shown above are in relation to Terrace Hill Group EPRA NAV. The majority of joint venture and associated undertaking debt is of limited recourse to the Terrace Hill Group.

The EPRA consolidated net tangible asset value differs from IFRS NAV as the latter values Terrace Hill's assets at the lower of cost and net realisable value. The EPRA definition broadly rebases NAV to market value.

The loan-to-value ratio is the ratio of the nominal amount of debt outstanding under a specific bank facility and the underlying market value of the assets secured against the loan.

The gross interest cover covenant is the total income divided by the interest cost during a given period. The net interest cover covenant is the rental income divided by the interest cost during a given period.

In 2010 Terrace Hill had a loan facility with Barclays Bank PLC and had to notify them that the Terrace Hill Group would breach the £70 million consolidated net tangible asset covenant under the facility. Barclays agreed to amend the loan facility so that the covenant measured asset value at market value rather than under historic cost convention, to bring it into line with EPRA NAV. Barclays also agreed to waive the breach. This loan was repaid in November 2013.

In May 2011, the Two Orchards joint venture was put into administration by the senior lender as the loan to value covenant on the senior debt financing had been breached.

The Terrace Hill Group is in full compliance with its financial covenants as at 31 December 2013 and as at 30 September 2013, 2012 and 2011.

5. CAPITAL EXPENDITURES

Terrace Hill is a development company. As a result, it does not have significant capital expenditures.

6. CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarises Terrace Hill's contractual obligations as of 31 December 2013:

<i>Contractual obligations</i>	<i>Total</i>	<i>Payments due by period</i>			
		<i>Less than 1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>More than 5 years</i>
Long-term debt obligations (£m) ⁽¹⁾	23.0	5.1	17.9	–	–
Operating lease obligations (£m) ⁽²⁾	9.2	1.3	2.7	2.6	2.6
Total	32.2	6.4	20.6	2.6	2.6

⁽¹⁾ For a description of these facilities, see the section headed—“Terrace Hill group debt” above.

⁽²⁾ Operating lease obligations relate to land and buildings only.

Additionally, Terrace Hill has capital commitments related to development sites, which have been contracted but not provided for in the annual accounts, of £18.7 million as at 31 December 2013, £27.8 million as at 30 September 2013, £10.9 million as at 30 September 2012 and £3.2 million as at 30 September 2011.

7. OFF BALANCE SHEET ARRANGEMENTS

Joint ventures and associates

Terrace Hill's joint ventures, associates and investments have secured bank facilities. While neither Terrace Hill nor its co-investor has any obligation to remedy any breach of covenants under these bank facilities, a failure to remedy a breach may cause the relevant entity to be in default of its obligations under its respective secured banking facility. Each of the agreements entered into by these entities includes a provision relating to the loan-to-value covenant that allows the relevant entity to inject cash to prevent a breach of this covenant.

Contingent liabilities

As of 31 December 2013, Terrace Hill has given a guarantee of £0.6 million as part of its development obligations.

8. FINANCIAL DERIVATIVES

The Terrace Hill Group enters into derivative transactions such as interest rate caps and floors in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are subsequently re-measured to fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the consolidated statement of comprehensive income as a finance cost or finance income.

The Terrace Hill Group had interest rate swaps that expired in the year ended 30 September 2011. In connection with the expiration of this swap, £0.2 million of gains were included in finance income, representing the reversal of fair value adjustments on such interest rate swaps. The Terrace Hill Group has not subsequently entered into interest rate swaps.

9. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Terrace Hill's principal financial instruments comprise loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for Terrace Hill's operations.

Terrace Hill has various other financial instruments such as trade receivables and trade payables that arise directly from its operations and unlisted investments.

The main risks arising from Terrace Hill's financial instruments are interest rate risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. The magnitude of the risk that has arisen over the year is detailed below.

9.1 **Interest rate risk**

Terrace Hill holds cash balances on short-term deposit. Terrace Hill's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

Terrace Hill borrows cash in the form of loans and overdrafts, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in LIBOR and the bank base rate. Terrace Hill is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates.

As of 31 December 2013, Terrace Hill's debt bore interest at a floating rate, in an amount of £19.7 million. Floating rate financial liabilities bear interest at LIBOR or base rate plus margins of between 2.5 per cent. and 4.1 per cent.

9.2 **Liquidity risk**

Terrace Hill's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. Cash flow and funding needs are regularly monitored.

Ultimate responsibility for liquidity risk management rests with Terrace Hill's management, which has built an appropriate liquidity risk management framework for the management of Terrace Hill's short, medium and long-term funding and liquidity management requirements. Terrace Hill manages liquidity risk by having a policy that requires adequate cash and committed bank facilities remain available to cover and match all debt maturities, development spend and trade related and corporate cash flows forward over a rolling 12-month period. This is achieved by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

9.3 **Credit risk**

Credit risk is the risk that a counterparty, such as a counterparty in a forward funding contract, will be unable or unwilling to meet a commitment that it has entered into with Terrace Hill. The majority of these forward funding contracts are long-term contracts with amounts payable based on certain milestones. Terrace Hill assesses the risk based on the credit-worthiness of the counterparty.

Terrace Hill's principal financial assets are cash, trade receivables, amounts recoverable under construction contracts and other investments. Terrace Hill's cash deposits are placed with a range of banks to minimise the risk to the Terrace Hill Group. The principal risk therefore arises from trade receivables and amounts recoverable under construction contracts. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but Terrace Hill's exposure to tenant default is limited as no tenant accounts for more than 10 per cent. of total rent.

Rental cash deposits and third party guarantees are obtained as a means of mitigating financial loss from defaults. Amounts recoverable under construction contracts are funded by the ultimate purchaser of the development, on whom extensive financial due diligence is carried out. Other investments represent amounts advanced to Howick where Terrace Hill is entitled to a priority return and the Board annually reviews the business plan of that entity.

Terrace Hill's maximum exposure to credit risk in financial assets, excluding cash, is £14.3 million as at 31 December 2013. The maximum amount due from any single party is £4.3 million as at 31 December 2013, which is included in "Trade and other receivables" on the balance sheet.

10. **INFLATION**

The Terrace Hill Group has not been affected materially by inflation.

11. **SEASONALITY**

The Terrace Hill Group's businesses are not significantly affected by seasonal trends.

12. CAPITALISATION AND INDEBTEDNESS

The following table shows the consolidated gross indebtedness of the Terrace Hill Group as at 28 February 2014 and the consolidated Terrace Hill Group capitalisation as at 31 December 2013. The figures for capitalisation have been extracted without material adjustment from the historical financial information on the Terrace Hill Group included in Part 17 for the period ended 31 December 2013. The indebtedness figures have been extracted from the underlying accounting records of the Terrace Hill Group as at 28 February 2014.

	<i>As at 28 February 2014 (unaudited) (£'000)</i>
Total current debt:	
– Secured ¹	5,085
Total non-current debt (excluding current portion of long-term debt):	
– Secured ¹	14,937
Total indebtedness	<u>20,022</u>
	<i>As at 31 December 2013 (unaudited)</i>
Capitalisation:	
– Share capital	4,240
– Legal reserves ²	26,145
– Other reserves ³	(609)
Total capitalisation	<u>29,776</u>

¹ The bank loans are secured by legal charges over the Terrace Hill Group's investment and development properties together with guarantees from certain subsidiary undertakings.

² Comprises the share premium account, capital redemption reserve and merger reserve.

³ Comprises the own shares reserve, representing the amount paid to purchase issued shares for the employee share-based payment plan.

Capitalisation does not include retained earnings which would fluctuate on a day by day basis.

There has been no material change in the Company's capitalisation since 31 December 2013 to the date of this document.

The following table shows the consolidated Terrace Hill Group net financial indebtedness as at 28 February 2014.

	<i>As at 28 February 2014 (unaudited) (£'000)</i>
Cash	2,784
Cash equivalents	–
Trading securities	–
Liquidity	<u>2,784</u>
Current financial receivables	
Current bank debt	4,653
Current portion of non-current debt	432
Other current financial debt	–
Current financial indebtedness	<u>5,085</u>
Net current financial indebtedness	<u><u>2,301</u></u>
Non-current bank loans	14,937
Bonds issued	–
Other non-current loans	–
Non-current financial indebtedness	<u>14,937</u>
Net financial indebtedness	<u><u>17,238</u></u>

As at 28 February 2014 the Terrace Hill Group had capital commitments relating to development sites of £11.6 million and has given a guarantee of £0.6 million as part of its development obligations.

PART 16

HISTORICAL FINANCIAL INFORMATION RELATING TO URBAN&CIVIC

Section A: Accountant's report on the Historical Financial Information relating to Urban&Civic



The Directors and the Proposed Directors (the "directors")
Terrace Hill Group plc
1 Portland Place
London
W1B 1PN

28 April 2014

Dear Sirs

Urban&Civic Holdings S.A.

We report on the financial information set out in section B of Part 16 for the three years ended 31 December 2013. This financial information has been prepared for inclusion in the prospectus dated 28 April 2014 of Terrace Hill on the basis of the accounting policies set out in note 1. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of Terrace Hill Group plc are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 28 April 2014, a true and fair view of the state of affairs of Urban&Civic Holdings S.A. as at 31 December 2011, 31 December 2012 and 31 December 2013 and of its profits and losses, changes in equity and cash flows for the three

financial years ended 31 December 2013 in accordance with the basis of preparation set out in note 1 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 1.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

Section B: Historical Financial Information relating to Urban&Civic

Consolidated Statement of Comprehensive Income

	Notes	Year ended 31 December		
		2013 £'000	2012 £'000	2011 £'000
Revenue	2	2,928	2,859	2,802
Direct costs		<u>(1,598)</u>	<u>(1,473)</u>	<u>(1,285)</u>
Gross profit	2	1,330	1,386	1,517
Administrative expenses		(1,077)	(938)	(945)
Surplus/(deficit) on revaluation of investment properties		<u>31,027</u>	<u>(1,625)</u>	<u>(5,084)</u>
Operating (loss)/profit	3	31,280	(1,177)	(4,512)
Finance income	4	1	6	13
Finance costs	4	<u>(2,543)</u>	<u>(2,235)</u>	<u>(2,591)</u>
Profit/(loss) before taxation		28,738	(3,406)	(7,090)
Taxation expense	7	<u>(159)</u>	<u>(119)</u>	<u>(88)</u>
Profit/(loss) for the year		<u>28,579</u>	<u>(3,525)</u>	<u>(7,178)</u>
Basic earnings/(loss) per share	8	<u>19.22</u>	<u>(2.37)</u>	<u>(4.84)</u>

The Urban&Civic Group had no amounts of other comprehensive income for any of the periods set out above and the profit/(loss) for the respective year is wholly attributable to equity shareholders.

Consolidated Statement of Financial Position

	Notes	Year ended 31 December		
		2013 £'000	2012 £'000	2011 £'000
Non-current assets				
Investment properties	9	55,455	55,000	45,000
Property, plant and equipment	11	23	31	66
		<u>55,478</u>	<u>55,031</u>	<u>45,066</u>
Current assets				
Trading properties	12	45,545	–	–
Trade and other receivables	13	1,528	1,242	755
Cash and cash equivalents		1,188	573	4,974
		<u>48,261</u>	<u>1,815</u>	<u>5,729</u>
Total assets		<u>103,739</u>	<u>56,846</u>	<u>50,795</u>
Non-current liabilities				
Borrowings	14	(80,700)	(62,561)	(53,933)
Derivative financial instruments	17	(5)	–	–
Deferred tax liabilities	15	(2)	(3)	(10)
		<u>(80,707)</u>	<u>(62,564)</u>	<u>(53,943)</u>
Current liabilities				
Trade and other payables	16	(2,352)	(2,196)	(1,241)
Total liabilities		<u>(83,059)</u>	<u>(64,760)</u>	<u>(55,184)</u>
Net assets/(liabilities)		<u>20,680</u>	<u>(7,914)</u>	<u>(4,389)</u>
Equity attributable to equity holders of the Parent				
Called up share capital	18	1,500	1,485	1,485
Retained earnings/(deficit)		19,180	(9,399)	(5,874)
Total equity/(deficit)		<u>20,680</u>	<u>(7,914)</u>	<u>(4,389)</u>

Consolidated Statement of Changes in Equity

	<i>Share capital £'000</i>	<i>Retained earnings £'000</i>	<i>Total £'000</i>
Balance at 1 January 2011	1,470	1,304	2,774
Proceeds from shares issued	15	–	15
Total comprehensive loss for the year	–	(7,178)	(7,178)
Balance at 31 December 2011	1,485	(5,874)	(4,389)
Total comprehensive loss for the year	–	(3,525)	(3,525)
Balance at 31 December 2012	1,485	(9,399)	(7,914)
Proceeds from shares issued	15	–	15
Total comprehensive income for the year	–	28,579	28,579
Balance at 31 December 2013	1,500	19,180	20,680

Consolidated Statement of Cash Flows

	Year ended 31 December		
	2013 £000's	2012 £000's	2011 £000's
Cash flows from operating activities			
Profit/(loss) before taxation	28,738	(3,406)	7,090
Adjustments for:			
Finance income	(1)	(6)	(13)
Finance costs	2,543	2,235	2,591
Depreciation charge	18	39	34
(Surplus)/deficit on revaluation of investment properties	(31,027)	1,625	5,084
Cash flows from operating activities before change in working capital	271	487	606
Increase in trading properties	(104)		
Decrease in trade and other receivables	(72)	(103)	(46)
Increase/(decrease) in trade and other payables	283	215	(83)
Cash generated from operations	378	599	477
Finance costs paid	(160)	–	–
Finance income received	1	6	13
Tax paid	(178)	(118)	(67)
Net cash flows from operating activities	41	487	423
Investing activities			
Increase in investment properties	(8,636)	(5,884)	(3,252)
Additions to property, plant and equipment	(10)	(4)	(20)
Net cash flows from investing activities	(8,646)	(5,888)	(3,272)
Financing activities			
Proceeds from issuance of ordinary shares	15	–	15
New loans	9,482	1,000	3,144
Issue costs of new loans	(277)	–	–
Net cash flows from financing activities	9,220	1,000	3,159
Net increase/(decrease) in cash and cash equivalents	615	(4,401)	310
Cash and cash equivalents at 1 January	573	4,974	4,664
Cash and cash equivalents at 31 December	1,188	573	4,974

Notes

1. Accounting policies

Basis of preparation

The historical financial information provided is the consolidated results for Urban&Civic Holdings S.A. and its subsidiaries in respect of the three financial years ended 31 December 2013, 31 December 2012, and 31 December 2011.

The historical financial information has been prepared in accordance with the requirements of the Prospectus Directive Regulation and in accordance with this basis of preparation. This basis of preparation describes how the historical consolidated financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"). The consolidated financial statements of the Urban&Civic Group are the first consolidated financial statements and as such are the first statements prepared in accordance with IFRS. The opening statement of financial position is detailed within note 21.

The accounting policies set out below are consistent with those of Terrace Hill Group plc and have been applied consistently for all periods presented in the historical financial information.

Functional and presentation currency

The historical financial information is presented in British Pounds £, which is the Urban&Civic Group's functional currency. All financial information presented in British Pounds has been rounded to the nearest thousand.

Going Concern

The historical financial information has been prepared on a going concern basis, which assumes that the Urban&Civic Group will continue to meet its liabilities as they fall due.

The Urban&Civic Group has prepared cash flow projections that show, with the ongoing support of the Urban&Civic Group's parent company, GIP U&C S.à. r.l., that it is expected to have adequate resources available to continue in operational existence for the foreseeable future.

As part of the transaction set out in this document, Terrace Hill will acquire Urban&Civic and inter conditionally raise further significant funds through the Placing. In the event that the Placing is successful the Urban&Civic Group will secure sufficient capital to fund future identified pipeline projects as well as continuing in operational existence for the foreseeable future.

Basis of consolidation

Where the Urban&Civic Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements incorporate the results of Urban&Civic Holdings S.A. and its subsidiary undertakings. Intercompany transactions and balances between the Urban&Civic Group companies are eliminated in full.

Segmental reporting

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 of Urban&Civic, which following a review of the Urban&Civic Group's internal reporting and the requirements of IFRS8, 'Operating Segments', considers that the Urban&Civic Group operates in one business segment in Great Britain and as such requires no further segmental information.

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 being the open market 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 income statement.

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. A transfer of a property from investment to trading will be made where there is a change in use and the land is to be developed with a view to sale.

Leases

Where the Urban&Civic Group is the lessor, the directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 for all properties leased to tenants and in their judgements have determined that all such leases are operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Where the Urban&Civic Group is the lessee, leases in which substantially all risks and rewards of ownership are retained by another party are classified as operating leases. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Lease incentives

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.

Property, plant and equipment

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

Depreciation is provided on all property, 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:

Motor vehicles	– 3 years
Furniture and fittings & office equipment:	– 3 to 5 years

Trading properties

Trading properties are inventory and included in the consolidated statement of financial position 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 costs, including borrowing costs directly associated with development expenditure are capitalised up to the date that the property is ready for its intended use. Property acquisitions are recognised when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Properties reclassified as trading properties are transferred at deemed cost being the fair value at the date of reclassification.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Urban&Civic Group and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

(a) Sale of property

Revenue from the sale of trading properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and

effectively unconditional are exchanged. Revenue from the sale of residential property is recognised on completion of sale.

(b) Development revenue

Development revenue and profits are recognised in accordance with IAS 11 “Construction Contracts” or IAS 18 “Revenue” depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser.

(c) Rental income

Rental income arising from property is accounted for on a straight line basis over the term of the lease.

Taxation

Current tax

The charge for current taxation is based on the results for the year as adjusted for items which are non-taxable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date. Tax payable upon realisation of revaluation gains on investment property disposals and 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 financial statements and the corresponding tax base cost used in computing taxable profit.

Deferred tax is determined using tax rates 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 Urban&Civic 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.

Under IAS 12, deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date to the extent that the differences are not considered permanent.

Retirement benefits

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Urban&Civic Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Urban&Civic Group enters into derivative transactions such as interest rate swaps in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are subsequently

re-measured to fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the consolidated statement of comprehensive income as a finance income or finance cost.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables 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 Urban&Civic Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being 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 bank 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 the obtaining of 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 development expenditure of trading and investment properties are added to the costs of such properties until the properties are ready for intended their use.

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

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise judgement in the process of applying the Urban&Civic 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 Urban&Civic Group's earnings and financial position include:

Property valuation

For the purposes of calculating the fair value of its property portfolio, the Urban&Civic Group uses the valuation carried out by either independent valuers or on the basis of market value in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. The valuation is based upon assumptions including future rental income, sales prices, an estimate of typical profit margins,

anticipated maintenance costs, construction costs and appropriate discount rates. The valuers and directors also make reference to market evidence for comparable property transactions and principle inputs and assumptions.

Distinction between investment properties and trading properties

Where there is a decision to divest any element of a property and it becomes reasonably certain that the element concerned will become the subject of a binding sale contract in due course, then that element is remeasured to fair value at the decision date and transferred to trading properties.

Calculation of deferred taxation

Deferred tax is recognised where differences between the tax base and the carrying amount are temporary. Deferred tax assets arising from temporary differences are only recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period. If the revisions affect both current and future periods, they are recognised in the period of the revision and future periods.

2. Revenue/gross profit

	<i>2013</i> £'000	<i>2012</i> £'000	<i>2011</i> £'000
Rental income	2,639	2,599	2,575
Recoverable property expenses	289	256	215
Rents receivable	2,928	2,855	2,790
Other income	–	4	12
Revenue	2,928	2,859	2,802
Recoverable property expenses	(289)	(256)	(215)
Direct property expenses	(1,309)	(1,217)	(1,070)
Gross profit	<u>1,330</u>	<u>1,386</u>	<u>1,517</u>

3. Operating profit/(loss)

Is arrived at after charging:

	<i>2013</i> £'000	<i>2012</i> £'000	<i>2011</i> £'000
Depreciation of owned fixed assets	18	39	34
Impairment of trade receivables	25	24	11
Operating lease charges – rent of properties	157	157	157
Fees paid to Deloitte LLP in respect of:			
– audit of the company	–	16	9
Other services:			
– non-audit services	–	17	14
Fees paid to KPMG LLP in respect of:			
– audit of the company	16	–	–
Other services:			
– audit of subsidiary company	8	8	8
– non-audit services	26	4	4
	<u>26</u>	<u>4</u>	<u>4</u>

4. Finance income and finance costs

	2013 £'000	2012 £'000	2011 £'000
Interest receivable from cash deposits and other financial assets	1	6	13
Finance income	<u>1</u>	<u>6</u>	<u>13</u>
Interest payable on borrowings	9,158	7,629	6,416
Interest capitalised	(6,620)	(5,394)	(3,825)
Fair value loss on non-hedging derivative financial instruments	5	–	–
Finance costs	<u>2,543</u>	<u>2,235</u>	<u>2,591</u>

5. Director emoluments

	2013 £'000	2012 £'000	2011 £'000
Emoluments	<u>11</u>	<u>10</u>	<u>11</u>
Highest paid director: Total emoluments (excluding pension contributions)	<u>11</u>	<u>10</u>	<u>11</u>

6. Staff costs

	2013 £'000	2012 £'000	2011 £'000
Wages and salaries (including discretionary bonus)	1,808	1,563	1,417
Employer's national insurance contributions and similar taxes	236	203	182
Defined contribution pension cost	70	68	57
	<u>2,114</u>	<u>1,834</u>	<u>1,656</u>
Average number of employees during the year	<i>Number</i> <u>14</u>	<i>Number</i> <u>13</u>	<i>Number</i> <u>12</u>

7. Tax on profit and ordinary activities

(a) Analysis of charge in the year

	2013 £'000	2012 £'000	2011 £'000
Current tax:			
UK corporation tax on profits of the period	155	128	84
Adjustments in respect of previous periods	5	(2)	(6)
Total current tax	<u>160</u>	<u>126</u>	<u>78</u>
Deferred tax:			
Impact of rate changes	–	(1)	–
Origination and reversal of timing differences	(1)	(6)	10
Total deferred tax (credit)/charge	<u>(1)</u>	<u>(7)</u>	<u>10</u>
Total tax charge	<u>159</u>	<u>119</u>	<u>88</u>

(b) **Factors affecting tax charge for period**

The tax assessed for the period is lower than (2012: higher than; 2011: higher than) the standard rate of corporation tax in the UK of 23.0 per cent., (2012: 24.0 per cent. and 2011: 26.0 per cent.). The differences can be explained below.

	2013 £'000	2012 £'000	2011 £'000
Profit/(loss) attributable to the group before tax	28,738	(3,406)	(7,090)
Profit multiplied by the average rate of UK corporation tax of 23.25 per cent. (2012: 24.50 per cent., 2011: 26.5 per cent.)	6,682	(834)	(1,879)
Accelerated capital allowances	(1)	(4)	(8)
Expenses not deductible for tax purposes	14	28	20
Differences arising from property revaluation	(7,213)	398	1,347
Tax losses and other temporary differences	672	534	614
Impact of rate change	–	(1)	–
	<u>154</u>	<u>121</u>	<u>94</u>
Adjustments to tax charge in respect of previous periods	5	(2)	(6)
Total tax (credit)/charges	<u>159</u>	<u>119</u>	<u>88</u>

8. Earnings/(loss) per ordinary share

The calculation of earnings/(loss) per ordinary share per ordinary share is based on a profit of £28,579,000 (2012: losses of £3,525,000; 2011: losses £7,178,000) and on 1,487,000 (2012: 1,485,000 and 2011: 1,482,000) ordinary shares, being the weighted average number of shares in issue during each year.

Weighted average number of shares

In thousands of shares	2013	2012	2011
Issued ordinary shares at 1 January	1,485	1,485	1,470
Effect of shares issued in March 2011	–	–	12
Effect of shares issued in November 2013	2	–	–
Weighted average number of ordinary shares at 31 December	<u>1,487</u>	<u>1,485</u>	<u>1,482</u>

9. Investment properties

	£'000
Valuation	
At 1 January 2011	42,850
Additions	7,234
Loss on revaluation	(5,084)
At 1 January 2012	45,000
Additions	11,625
Loss on revaluation	(1,625)
At 1 January 2013	55,000
Additions	14,496
Surplus on revaluation	31,027
Transfers to trading properties	(45,068)
At 31 December 2013	<u>55,455</u>

On 9 December 2013, the Urban&Civic Group investment property, Alconbury Weald, received a resolution to grant outline planning consent for a residential led mixed use scheme. Predominantly as a result of this

resolution, a significant surplus has arisen in the period. The resolution resulted in a change of use for a proportion of the site which is to be developed with a view to sale. Consequently the property has been transferred from investment is trading at fair value.

The investment properties owned by the Urban&Civic Group have been valued at 31 December 2013 by qualified valuers from CBRE Limited, an independent firm of chartered surveyors, on a market value basis. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors. In previous years the valuations were carried out by the directors of Urban&Civic based on their assessment of the fair value of properties having taken appropriate professional advice. The total accumulated amount of interest capitalised as part of the cost of investment properties was £19,114,000 (2012: £12,698,000, 2011: £7,303,000). The average cost of interest capitalised was 13.9 per cent. (2012: 14.1 per cent., 2011: 14.0 per cent).

The Urban&Civic Group did not incur any direct operating expenses arising from investment properties that did not generate rental income (2012: nil, 2011: nil).

Valuation technique and significant unobservable inputs

Investment properties are 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 table summarises the valuation technique used in measuring the fair value of investments properties, as well as the significant unobservable input used.

<i>Valuation technique</i>	<i>Significant unobservable inputs</i>	<i>Inter-relationship between key unobservable inputs and fair value measurement</i>
Discounted cash flows: the valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive cost such as rent free period, other cost not paid by tenants and any development proposals for the property. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime versus secondary), tenant credit quality and lease terms.	Expected house price inflation (3-7 per cent., weighted average 3.5 per cent.)	The estimated fair value would increase (decrease) if: Expected house price inflation was higher (lower)
	Expected cost price inflation (2-5 per cent., average 2.0 per cent.)	Expected cost price inflation was lower (higher)
	Profit on Gross Development Value (20 per cent.)	Profit on Gross Development Value was lower (higher)
	Private residential Gross Development Value (£210 – £220 per sq. ft.)	Private residential Gross Development Value was higher (lower)
	Infrastructure, Section 106 and Community Infrastructure Levy (£604,000 per net developable acre)	Infrastructure, Section 106 and Community Infrastructure Levy rate per net developable acre was lower (higher)
	Risk-adjusted discount rate (10 per cent.)	Risk-adjusted discount rate was lower (higher)

10. Subsidiary undertakings

Urban&Civic Holding S.A. is the holding company of the Urban&Civic Group and has the following principal subsidiary undertakings which are consolidated and have as their main activity property investment, development, trading, investment holding or the provision of property related services.

<i>Undertaking's name</i>	<i>Primary activity</i>	<i>Registered office</i>	<i>Ownership</i>
			%
Urban&Civic Ltd	Property management services	6 Mount Row, London W1K 3SA United Kingdom	100
Urban&Civic Alconbury S.à. r.l.	Property owner	40, Avenue Monterey, L-2163, Luxembourg	100
Urban&Civic Acquisitions 2 S.à. r.l.	Holding company	40, Avenue Monterey, L-2163, Luxembourg	100

11. Property, plant and equipment

	<i>Motor vehicles £'000</i>	<i>Furniture and fittings & office equipment £'000</i>	<i>Total £'000</i>
Cost			
At 1 January 2011	15	89	104
Additions	–	20	20
At 1 January 2012	15	109	124
Additions	–	4	4
At 1 January 2013	15	113	128
Additions	–	10	10
At 31 December 2013	15	123	138
Depreciation			
At 1 January 2011	3	21	24
Charge for the year	5	29	34
At 1 January 2012	8	50	58
Charge for the year	5	34	39
At 1 January 2013	13	84	97
Charge for the year	2	16	18
At 31 December 2013	15	100	115
Net book value			
At 31 December 2013	–	23	23
At 31 December 2012	2	29	31
At 31 December 2011	7	59	66

12. Trading properties

<i>Book value</i>	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
At 1 January	–	–	–
Additions	477	–	–
Transfers from investment properties	45,068	–	–
At 31 December	<u>45,545</u>	<u>–</u>	<u>–</u>

During the year 2013, £45,068,000 of investment properties were transferred to trading properties at fair value.

Trading properties are secured against the revolving credit facility detailed within note 14 and the total amount of interest capitalised as part of the cost of trading properties was £204,000.

13. Trade and other receivables

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Trade receivables	423	425	423
Less: provision for impairment of trade receivables	(43)	(32)	(9)
Trade receivables (net)	<u>380</u>	<u>393</u>	<u>414</u>
Other receivables	629	467	190
Prepayments and accrued income	519	382	151
Trade and other receivables	<u>1,528</u>	<u>1,242</u>	<u>755</u>

The ageing trade receivables was as follows:

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Up to 30 days	52	65	81
31 to 60 days	3	49	36
61 to 90 days	7	14	25
Over 90 days	19	29	5
Total	<u>81</u>	<u>157</u>	<u>147</u>
Amounts not yet due	<u>299</u>	<u>236</u>	<u>267</u>
Trade receivables (net)	<u>380</u>	<u>393</u>	<u>414</u>

14. Borrowings

	<i>2013</i> <i>£'000</i>	<i>2012</i> <i>£'000</i>	<i>2011</i> <i>£'000</i>
Non-current			
Revolving credit facilities	9,311	–	–
Preferred Equity Certificates (PECs)	71,389	62,561	53,933
	<u>80,700</u>	<u>62,561</u>	<u>53,933</u>

	2013 £'000	2012 £'000	2011 £'000
Maturity profile			
Between two and five years	9,311	–	–
More than five years	71,389	62,561	53,933
	<u>80,700</u>	<u>62,561</u>	<u>53,933</u>

In January 2013, the Urban&Civic Group put in place a £9.5 million revolving credit facility, which was fully drawn by the year end. The revolving credit facility bears an average variable interest rate of LIBOR plus 2.75 per cent. In order to protect the Urban&Civic Group from fluctuations in interest rates, the Urban&Civic Group has entered into interest rate swap contracts in relation to 50 per cent. of the total revolving credit facility, which has the effect of transforming floating rate liabilities into fixed rate liabilities.

The Preferred Equity Certificates are non cancellable subordinated loans. The Preferred Equity Certificates bear a fixed interest rate of 14.07 per cent. (2012: 14.07 per cent., 2011: 14.00 per cent.).

The revolving credit facility is stated net of unamortised issue costs of £171,000. The PECs are also stated net of unamortised issue costs of £154,000 (2012: £157,000; 2011: £161,000).

15. Deferred tax liabilities

Details of the deferred tax liabilities arising in respect of accelerated capital allowances are as follows:

	2013 £'000	2012 £'000	2011 £'000
At 1 January	3	10	–
Deferred tax (credit)/charge in the statement of comprehensive income	(1)	(7)	10
At 31 December	<u>2</u>	<u>3</u>	<u>10</u>

No deferred tax has been provided on the revaluation surplus on investment properties as no chargeable gain would arise on the sale of the property as a result of the residency of the property asset owning undertaking.

16. Trade and other payables

	2013 £'000	2012 £'000	2011 £'000
Trade payables	631	1,230	471
Taxes and social security costs	133	229	249
Other payables	–	8	–
Accruals and deferred income	1,588	729	521
	<u>2,352</u>	<u>2,196</u>	<u>1,241</u>

The increase in accruals and deferred income in the period relates in part to unpaid discretionary bonus and valuation fees not previously outstanding at the year end.

17. Financial instruments

The Urban&Civic Group's principal financial instruments comprise loans, interest rate swaps, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Urban&Civic Group's operations at appropriate cost and risk levels.

The Urban&Civic Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations.

The main risks arising from the Urban&Civic Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The magnitude of the risk that has arisen over the year is detailed below:

Interest rate risk

The Urban&Civic Group holds cash balances on short-term deposit. The Urban&Civic Group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

The Urban&Civic Group borrows cash in the form of loans, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in LIBOR and the bank base rate. The Urban&Civic Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates. The Urban&Civic Group's exposure to interest rate relates to the effect of a rate change on the fair value of the Urban&Civic Group's derivative financial instruments and the cost of servicing the Urban&Civic Group's floating rate borrowings. As at 31 December 2013 a 50 basis point rise or fall in interest rates would have an immaterial effect on the Urban&Civic Group's financial position.

Credit risk

The Urban&Civic Group's principal financial assets are cash, trade and other receivables. Cash deposits are placed with a range of banks to minimise the risk to the Urban&Civic Group. The principal risk therefore arises from trade receivables and other receivables. Trade receivables predominately comprise rental and service charge amounts due from tenants which whilst unsecured, do not form a significant credit risk as no tenant accounts for more than 15 per cent. of total rent. Credit checks, rental deposits and third party guarantees are used in isolation or in combination to militate against financial loss from defaults. Other receivables are predominantly due from Local Authorities, which are not considered to have a high credit risk.

Liquidity risk

The Urban&Civic Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. Cash flow and funding needs are regularly monitored.

Financial assets and financial liabilities

	2013		2012		2011	
	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000	Carrying value £'000	Fair value £'000
Financial assets						
Cash and cash equivalents	1,188	1,188	573	573	4,974	4,974
Trade receivables	380	380	393	393	414	414
Other receivables	451	451	380	380	190	190
Total financial assets	<u>2,019</u>	<u>2,019</u>	<u>1,346</u>	<u>1,346</u>	<u>5,578</u>	<u>5,578</u>
Financial liabilities						
Trade payables	631	631	1,230	1,230	471	471
Interest bearing loans	9,311	9,311	–	–	–	–
Accrual and other payables	1,246	1,246	306	306	138	138
Preferred Equity Certificates (PECs)	71,389	71,389	62,561	62,561	53,933	53,933
Derivatives financial instruments						
Interest rate swaps	5	5	–	–	–	–
Total financial liabilities	<u>82,582</u>	<u>82,582</u>	<u>64,097</u>	<u>64,097</u>	<u>54,542</u>	<u>54,542</u>

The interest rate swaps are carried out at fair value and categorised as level 2 within the fair value hierarchy as their fair value is determined from observable inputs.

Maturity analysis of the undiscounted contractual cash flows relating to financial liabilities

At 31 December 2013

	<i>Currency</i>	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Carrying amount £'000</i>	<i>Contractual cash flow £'000</i>	<i>In less than one year £'000</i>	<i>Between one and two years £'000</i>	<i>Between two and five years £'000</i>	<i>In more than five years £'000</i>
Preferred Equity Certificates (PECs)									
PECs issued 2009	Sterling	14.07%	2059	54,676	399,867				399,867
PECs issued 2011	Sterling	14.07%	2061	15,711	118,926				118,926
PECs issued 2012	Sterling	14.07%	2062	1,156	8,949				8,949
Bank facilities put in place 2013	Sterling	LIBOR +275 bps	2015	9,482	10,046	399	9,647		
Derivatives contracted 2013	Sterling	0.81%	2015	5	4	10	(6)		
Unamortised arrangement costs				(325)	-	-	-	-	-
Total				80,705	537,792	409	9,641	-	527,742

At 31 December 2012

	<i>Currency</i>	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Carrying amount £'000</i>	<i>Contractual cash flow £'000</i>	<i>In less than one year £'000</i>	<i>Between one and two years £'000</i>	<i>Between two and five years £'000</i>	<i>In more than five years £'000</i>
Preferred Equity Certificates (PECs)									
PECs issued 2009	Sterling	14.07%	2059	47,932	357,290	-	-	-	357,290
PECs issued 2011	Sterling	14.07%	2061	13,773	106,194	-	-	-	106,194
PECs issued 2012	Sterling	14.07%	2062	1,013	7,989	-	-	-	7,989
Unamortised arrangement costs				(157)	-	-	-	-	-
Total				62,561	471,473	-	-	-	471,473

At 31 December 2011

	<i>Currency</i>	<i>Nominal interest rate</i>	<i>Year of maturity</i>	<i>Carrying amount £'000</i>	<i>Contractual cash flow £'000</i>	<i>In less than one year £'000</i>	<i>Between one and two years £'000</i>	<i>Between two and five years £'000</i>	<i>In more than five years £'000</i>
Preferred Equity Certificates (PECs)									
PECs issued 2009	Sterling	14.07%	2059	42,019	319,128	-	-	-	319,128
PECs issued 2011	Sterling	14.07%	2061	12,074	94,793	-	-	-	94,793
Unamortised arrangement costs				(160)	-	-	-	-	-
Total				53,933	413,921	-	-	-	413,921

18. Called up share capital

	<i>2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Authorised:			
1,500,000 (2012: 1,500,000 2011: 1,500,000) ordinary shares of £1 each	1,500	1,500	1,500
Allotted, called up, and fully paid:			
At 1 January	1,485	1,485	1,470
Ordinary £1 shares issued during the year at par	15	-	15
At 31 December	1,500	1,485	1,485

The share issue in 2013 provided the Urban&Civic Group with additional working capital.

19. Contingent liabilities, capital commitments and guarantees

Capital commitments relating to the Urban&Civic Group's development site are as follows:

	2013 £'000	2012 £'000	2011 £'000
Contracted but not provided for	<u>3</u>	<u>54</u>	<u>–</u>

20. Leases

Total commitments under non-cancellable operating leases are as follows:

	2013 £'000	2012 £'000	2011 £'000
In one year or less	181	–	–
Between two and five years	<u>12</u>	<u>362</u>	<u>543</u>
	<u>193</u>	<u>362</u>	<u>543</u>

21. First Time Adoption of IFRS

In accordance with IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS), the opening statement of financial position as at 31 December 2010 for the Urban&Civic Group is presented as follows:

	£'000
Non-current assets	
Investment properties	42,850
Property, plant and equipment	<u>81</u>
	<u>42,931</u>
Current assets	
Trade and other receivables	733
Cash and cash equivalents	<u>4,664</u>
	<u>5,397</u>
Total assets	<u>48,328</u>
Non-current liabilities	
Borrowings	<u>(44,374)</u>
	<u>(44,374)</u>
Current liabilities	
Trade and other payables	<u>(1,180)</u>
Total liabilities	<u>(45,554)</u>
Net assets	<u>2,774</u>
Equity attributable to equity holders of the Parent	
Called up share capital	1,470
Retained earnings	<u>1,304</u>
Total equity	<u>2,774</u>

22. Post balance sheet events

On 24 January 2014 £4,985,000 of new Preferred Equity Certificates were issued to GIP U&C S.à.r.l. to provide additional working capital to the Urban&Civic Group.

On 16 April 2014, the Urban&Civic Group entered into a conditional acquisition agreement to purchase a 50 per cent. interest in Rugby. The Urban&Civic Group's share of the consideration for the acquisition is £16.7 million and a refundable 10 per cent. deposit has been paid. Completion of the acquisition of Rugby is conditional and the longstop date for completion is 31 March 2015, although this can be extended with the agreement of the seller. The Urban&Civic Group has the ability to waive the conditions precedent and complete the acquisition.

On 16 April 2014, Urban&Civic Holdings S.A. converted to Urban&Civic Holdings S.à.r.l.

On 22 April 2014, Urban&Civic Alconbury transferred ownership of Alconbury Weald for the sum of £102.3 million to Urban&Civic Alconbury Limited, its UK tax resident subsidiary. The related £9.5 million of bank borrowings were also transferred and the resulting £92.8 million intercompany indebtedness was released in exchange for the issue of 1,000 ordinary shares of £1 each in the capital of Urban&Civic Alconbury Limited. Urban&Civic Alconbury Limited will be subject to UK corporation tax.

On 24 April 2014, the Urban&Civic Group approved the payment of £1.3 million of bonuses to the Urban&Civic Group's employees (equivalent to 100 per cent. of annual salary). The payment of the bonuses will be dependent on the successful takeover of the Urban&Civic Group by Terrace Hill, which in turn is reliant on an inter-conditional capital raise and subsequent listing on the London Stock Exchange.

23. Related party transactions

The key management personnel of the Urban&Civic Group are the board of directors of Urban&Civic Holding SA and the board of directors of Urban&Civic Limited. The remuneration of the directors of Urban&Civic Holdings SA is shown in note 5 and the remuneration paid to the directors of Urban&Civic Limited is as follows:

	2013 £'000	2012 £'000	2011 £'000
Emoluments	<u>621</u>	<u>530</u>	<u>503</u>

In addition the following payments were made to GIP U&C S.à.r.l. in respect of Preferred Equity Certificate arrangement costs and monitoring expenses and to AWD 1958 Limited in respect of non-executive director services provided by Mr AW Dixon to Urban&Civic Group undertaking Urban&Civic Limited. GIP U&C S.à.r.l. is the immediate holding and controlling company of the Urban&Civic Group and Mr AW Dixon is a director of subsidiary undertaking Urban&Civic Limited.

	2013 £'000	2012 £'000	2011 £'000
GIP U&C S.à. r.l	10	22	40
AWD 1958 Limited	<u>50</u>	<u>52</u>	<u>-</u>
	<u>60</u>	<u>74</u>	<u>40</u>

The interest of GIP U&C S.à. r.l. and directors of Urban&Civic Limited, including immediate family interest in the share capital and Preferred Equity Certificates of Urban&Civic were as follows:

	2013		2012		2011	
	<i>Ord £1 Shares</i>	<i>Preferred Equity Certificates £'000</i>	<i>Ord £1 Shares</i>	<i>Preferred Equity Certificates £'000</i>	<i>Ord £1 Shares</i>	<i>Preferred Equity Certificates £'000</i>
GIP U&C S.à. r.l.	1,200,000	70,810	1,200,000	62,076	1,200,000	53,531
Nigel Hugill	120,000	311	120,000	273	120,000	239
Robin Butler	120,000	311	120,000	273	120,000	239

The movement in Preferred Equity Certificates between periods represents accrued interest which has been charged to the Consolidated Statement of Comprehensive Income in the first instance.

24. Ultimate parent undertaking and controlling party

The immediate holding and controlling company throughout the three year period was GIP U&C S.à.r.l. (incorporated in Luxembourg) and the ultimate holding and controlling party is UK U&C Holdings LLC (incorporated in the United States).

PART 17

HISTORICAL FINANCIAL INFORMATION RELATING TO TERRACE HILL

Section A: Accountant's report on the Historical Financial Information relating to Terrace Hill



55 Baker Street
London
W1U 7EU

28 April 2014

The Directors and the Proposed Directors
Terrace Hill Group plc
1 Portland Place
London
W1B 1PN

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

J.P. Morgan Securities plc
25 Bank Street
London
E14 5JP

Dear Sirs

**Terrace Hill Group plc (the “Company”) and its subsidiary undertakings
(together, the “Terrace Hill Group”): proposed acquisition of Urban&Civic Holdings S.à.r.l. and
placing of shares and admission to the standard listing segment of the Official List and to
trading on the Main Market for listed securities of the London Stock Exchange**

Introduction

We report on the financial information set out in Section B of Part 17. This financial information has been prepared for inclusion in the prospectus dated 28 April 2014 of Terrace Hill Group (the “Prospectus”) on the basis of the accounting policies set out in note 1 to the financial information. This report is required by item 20.1 of annex I of the Commission Regulation (EC) No. 809/2004 (the “PD Regulation”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you. Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the Terrace Hill Group as at 30 September 2011, 30 September 2012, 30 September 2013 and 31 December 2013 and of its results, cash flows, recognised gains and losses and changes in equity for the financial years ended 30 September 2011, 30 September 2012, 30 September 2013 and the three month period ended 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

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

Section B – Historical financial information on the Terrace Hill Group for the period ended 31 December 2013 and the years ended 30 September 2013, 30 September 2012 and 30 September 2011

The financial information set out below of the Terrace Hill Group, for the period from 1 October 2013 to 31 December 2013 and the years ended 31 September 2013, 31 September 2012 and 31 September 2011 has been prepared by the directors of the Company on the basis set out in note 1.

Terrace Hill Group Statements of Comprehensive Income

	Notes	3 months to 31			
		December 2013 £'000	Year ended 30 September		
		2013 £'000	2013 £'000	2012 £'000	2011 £'000
Revenue	2	2,084	48,486	65,899	66,410
Direct costs		(4,803)	(35,913)	(51,743)	(60,815)
Gross (loss)/profit		(2,719)	12,573	14,156	5,595
Administrative expenses	5	(1,299)	(6,074)	(4,747)	(4,343)
Loss on disposal of investment property		–	(35)	–	–
Impairment of joint venture and associated undertakings	13	–	–	(219)	(1,000)
Loss on revaluation of investment properties	12	–	–	(500)	(500)
Operating (loss)/profit		(4,018)	6,464	8,690	(248)
Finance income	4	34	204	251	457
Finance costs	4	(204)	(1,096)	(1,277)	(4,532)
Share of joint venture and associated undertakings post tax profit/(loss)	13	–	43	(200)	(236)
(Loss)/profit before tax		(4,188)	5,615	7,464	(4,559)
Tax	7	417	(1,271)	(58)	(184)
(Loss)/profit from continuing operations		(3,771)	4,344	7,406	(4,743)
Profit/(loss) from discontinued operations		150	586	(5,664)	(5,680)
Total comprehensive (loss)/income		(3,621)	4,930	1,742	(10,423)
Profit/(loss) attributable to:					
Equity holders of the parent from continuing operations		(3,771)	4,344	7,406	(4,743)
Equity holders of the parent from discontinued operations	9	150	586	(5,664)	(5,680)
		(3,621)	4,930	1,742	(10,423)
Total comprehensive (loss)/income attributable to:					
Equity holders of the parent from continuing operations		(3,771)	4,344	7,406	(4,743)
Equity holders of the parent from discontinued operations		150	586	(5,664)	(5,680)
		(3,621)	4,930	1,742	(10,423)
Basic (loss)/earnings per share from continuing operations	8	(1.79p)	2.06p	3.51p	(2.25p)
Diluted (loss)/earnings per share from continuing operations	8	(1.79p)	2.05p	3.50p	(2.25p)
Total basic (loss)/earnings per share	8	(1.72p)	2.34p	0.83p	(4.94p)
Total diluted (loss)/earnings per share	8	(1.72p)	2.33p	0.82p	(4.94p)

Terrace Hill Group Balance Sheets

		31 December		30 September	
	Notes	2013 £'000	2013 £'000	2012 £'000	2011 £'000
Non-current assets					
Investment properties	12	–	162	15,178	21,393
Property, plant and equipment	11	88	95	145	176
Investments in equity accounted associates and joint venture	13	1,000	1,000	1,000	1,419
Other investments	13	4,279	4,279	4,279	4,279
Intangible assets	10	2,365	2,365	3,188	3,336
Deferred tax assets	18	5,422	5,213	6,467	5,710
		<u>13,154</u>	<u>13,114</u>	<u>30,257</u>	<u>36,313</u>
Current assets					
Investment properties – held for sale	12	126	–	–	–
Development properties	14	54,722	58,200	70,284	72,961
Trade and other receivables	15	11,805	14,573	17,251	9,918
Cash and cash equivalents		7,555	8,644	5,999	11,630
		<u>74,208</u>	<u>81,417</u>	<u>93,534</u>	<u>94,509</u>
Total assets		<u>87,362</u>	<u>94,531</u>	<u>123,791</u>	<u>130,822</u>
Non-current liabilities					
Bank loans	17	(17,886)	(18,745)	(12,466)	(36,230)
Other payables – guarantee		–	–	–	(917)
Deferred tax liabilities	18	(659)	(867)	(851)	–
		<u>(18,545)</u>	<u>(19,612)</u>	<u>(13,317)</u>	<u>(37,147)</u>
Current liabilities					
Trade and other payables	16	(8,578)	(8,937)	(10,537)	(15,624)
Other payables – guarantee	16	–	–	(6,011)	–
Current tax liabilities		(3,049)	(3,049)	(3,014)	(3,109)
Bank overdrafts and loans	17	(5,071)	(7,384)	(40,699)	(26,808)
		<u>(16,698)</u>	<u>(19,370)</u>	<u>(60,261)</u>	<u>(45,541)</u>
Total liabilities		<u>(35,243)</u>	<u>(38,982)</u>	<u>(73,578)</u>	<u>(82,688)</u>
Net assets		<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>
Equity					
Called up share capital	20	4,240	4,240	4,240	4,240
Share premium account	21	18,208	18,208	18,208	43,208
Own shares	21	(609)	(609)	(609)	(609)
Capital redemption reserve	21	849	849	849	849
Merger reserve	21	7,088	7,088	7,088	7,088
Retained earnings	21	22,343	25,773	20,437	(6,642)
Total equity		<u>52,119</u>	<u>55,549</u>	<u>50,213</u>	<u>48,134</u>

Terrace Hill Group Statements of Changes in Equity

	Share capital £'000	Share premium £'000	Own shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 October 2010	4,240	43,208	(609)	849	7,088	3,585	58,361
Total comprehensive income for the year	–	–	–	–	–	(10,423)	(10,423)
Share-based payments	–	–	–	–	–	196	196
Balance at 30 September 2011	4,240	43,208	(609)	849	7,088	(6,642)	48,134
Total comprehensive income for the year	–	–	–	–	–	1,742	1,742
Share-based payments	–	–	–	–	–	337	337
Capital reduction	–	(25,000)	–	–	–	25,000	–
Balance at 30 September 2012	4,240	18,208	(609)	849	7,088	20,437	50,213
Total comprehensive income for the year	–	–	–	–	–	4,930	4,930
Share-based payments	–	–	–	–	–	406	406
Balance at 30 September 2013	4,240	18,208	(609)	849	7,088	25,773	55,549
Total comprehensive income for the period	–	–	–	–	–	(3,621)	(3,621)
Share-based payments	–	–	–	–	–	191	191
Balance at 31 December 2013	<u>4,240</u>	<u>18,208</u>	<u>(609)</u>	<u>849</u>	<u>7,088</u>	<u>22,343</u>	<u>52,119</u>

Terrace Hill Group Cash Flow Statements

	<i>3 months ended</i>		<i>Year ended 30 September</i>	
	<i>31 December</i>			
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash flows from operating activities				
Profit before tax from continuing and discontinued operations	(4,038)	6,201	1,800	(10,239)
Adjustments for:				
Finance income	(34)	(215)	(261)	(508)
Finance costs	204	1,808	1,768	5,097
Share of joint venture and associated undertakings post tax loss	–	43	200	1,695
Provision for financial guarantee for debts of associate	–	(1,811)	5,094	917
Depreciation charge	11	47	59	94
Impairment charge	–	823	148	–
Loss on revaluation of investment properties	–	11	530	4,128
Impairment of associated undertakings	–	–	219	1,000
(Profit)/loss on disposal of investment properties	(78)	271	570	–
Loss/(deficit) on sale of tangible fixed assets	–	11	–	(64)
Share-based payments	191	406	337	196
Cash flows from operating activities before changes in working capital	(3,744)	7,595	10,464	2,316
Decrease in property inventories	3,547	12,432	3,289	31,856
Decrease/(increase) in trade and other receivables	2,768	2,635	(7,334)	10,934
Decrease in trade and other payables	(360)	(5,800)	(3,475)	(1,999)
Cash generated from operations	2,211	16,862	2,944	43,107
Finance costs paid	(275)	(1,887)	(4,380)	(4,425)
Finance income received	34	215	261	590
Tax received/(paid)	–	36	(59)	(147)
Net cash flows from operating activities	1,970	15,226	(1,234)	39,125
Investing activities				
Sale of investment property and tangible fixed assets	122	14,744	5,115	100
Sale of investments	–	–	–	167
Purchase of property, plant and equipment	(11)	(18)	(28)	(70)
Net cash flows from investing activities	111	14,726	5,087	197
Financing activities				
Borrowings drawn down	–	2,744	10,426	1,325
Borrowings repaid	(3,167)	(30,212)	(19,824)	(30,743)
Net cash flows from financing activities	(3,167)	(27,468)	(9,398)	(29,418)
Net (decrease)/increase in cash and cash equivalents	(1,086)	2,484	(5,545)	9,904
Cash and cash equivalents at start of period	8,482	5,998	11,543	1,639
Cash and cash equivalents at end of period	7,396	8,482	5,998	11,543
Cash at bank and in hand	7,555	8,644	5,999	11,630
Bank overdraft	(159)	(162)	(1)	(87)
Cash and cash equivalents at end of period	7,396	8,482	5,998	11,543

Notes to the Historical Financial Information

1. Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial information are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated.

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretation) published by the International Accounting Standards Board (IASB) as adopted by the European Union ("EU adopted IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their financial information in accordance with IFRS.

The financial information has been prepared under the historical cost convention as modified for the revaluation of investment properties and financial instruments.

Changes in accounting policies

The Terrace Hill Group has adopted the following new or amended IFRS and IFRIC interpretations in the period. These had no material impact on the financial information.

IAS 19	Employee Benefits
IFRS 13	Fair Value Measurement
IFRS 7	Financial Instruments: Disclosures

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations relevant to the Terrace Hill Group. These standards and interpretations are mandatory for accounting periods beginning on or after the date of the financial information and will become effective for future reporting periods.

IAS 27	Consolidated and Separate Financial statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: recognition and Measurement
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities

None of the new standards and interpretations noted above, which are effective for accounting periods beginning on or after 1 January 2014 and which have not been adopted early, are expected to have a material effect on the group's future financial information.

Basis of consolidation

Where the Terrace Hill Group has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial information incorporates the results of Terrace Hill Group. Intercompany transactions and balances between the Terrace Hill Group companies are therefore eliminated in full.

Business combinations

The 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.

Goodwill

Goodwill represents the excess of the cost of a business combination over the Terrace Hill Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired. Cost comprises the fair values of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. The goodwill is reviewed for impairment at each reporting date. Where the fair value of identifiable assets, liabilities and contingent liabilities exceeds the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income.

Joint ventures

An entity is treated as a joint venture where the Terrace Hill Group shares control under a contractual agreement.

In the 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 venture. The consolidated statement of comprehensive income incorporates the Terrace Hill Group's share of the joint ventures' profits after tax.

Associates

Where the Terrace Hill Group has had significant influence but not 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 Terrace Hill 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 Terrace Hill Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Where the Terrace Hill Group has an associate but is not a preferential investor, the investment in the associate is recognised at cost and subject to regular impairment reviews, with any impairment being recognised in the consolidated statement of comprehensive income. This is the case where the associate has net liabilities. Where the associate has net assets it will be equity accounted for when the assets exceed the shares of the preferential investors.

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

Investment properties

The Terrace Hill Group's investment properties are revalued annually to fair value, with changes in fair value being recognised in the consolidated statement of comprehensive income.

Leases

Where the Terrace Hill Group is the lessor, the directors have considered the potential transfer of risks and rewards of ownership in accordance with IAS 17 for all properties leased to tenants and in their judgements have determined that all such leases are operating leases. Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Where the Terrace Hill Group is the lessee, leases in which substantially all risks and rewards of ownership are retained by another party are classified as operating leases. Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Lease incentives

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.

Property, plant and equipment

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

Depreciation is provided on all property, 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:

Office equipment	20% – 25% straight line
Motor vehicles	25% reducing balance
Furniture and fittings	20% – 25% straight line
Leasehold improvements	10% straight line

Development property

Trading and development properties are inventory and are included in the 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 costs, including borrowing costs, directly associated with the purchase and construction of a development property are capitalised up to the date that the property is ready for its intended use. Property acquisitions are recognised when legally binding contracts which are irrevocable and effectively unconditional are exchanged.

Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Terrace Hill Group and the revenue can be readily measured. Revenue is measured at the fair value of the consideration receivable, excluding VAT. The following criteria must be met before revenue is recognised:

Sale of property

Revenue from the sale of development and investment properties is recognised when the significant risks and rewards of ownership of the properties have passed to the buyer, usually when legally binding contracts which are irrevocable and effectively unconditional are exchanged. Revenue from the sale of residential property is recognised on completion of sale.

Development income

Development revenue and profits are recognised in accordance with IAS 11 “Construction Contracts” or IAS 18 “Revenue” depending on whether all development risks, apart from the construction risk, have passed to the purchaser under the terms of the development agreement. Where only the construction risk remains, the revenue and profit on the development is recognised under IAS 11, so as to match the proportion of the development work completed on a percentage completion basis. The percentage completion basis is determined by using the total costs incurred at the reporting date as a proportion of the total forecast costs at completion. Profits are only recognised where the outcome can be determined with reasonable certainty. Full provision is made for losses as soon as such losses are foreseen. Where revenue is recognised under IAS 18, disposals are recognised where the risks and rewards of ownership are considered to have been transferred to the purchaser.

Rental income

Rental income arising from property is accounted for on a straight line basis over the term of the lease.

Fees and other income

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

Taxation

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

Deferred tax is provided on all temporary differences, except:

- the initial recognition of goodwill;
- goodwill for which amortisation is not tax deductible;
- the initial recognition of an asset or liability in a transaction which is not a business combination and, at the same time of the transaction, affects neither accounting nor taxable profit; and
- investments in subsidiaries and joint ventures where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 financial information and the corresponding tax base cost used in computing taxable profit.

Deferred tax is determined using tax rates 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.

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.

Deferred tax assets and liabilities are offset when the Terrace Hill 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.

Share-based payments

The fair value of granting share awards under the performance share plan and the other share-based remuneration to directors and other employees is recognised through the consolidated statement of comprehensive income. The fair value of shares awarded is calculated by using a stochastic 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 criteria will not be met.

Employee benefit trust

The Terrace Hill 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 group 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.

Retirement benefits

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

Dividends

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

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

Impairment tests on the Terrace Hill Group's goodwill with indefinite useful lives are reviewed 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 recognised 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 balance sheet when the Terrace Hill Group becomes a party to the contractual provisions of the instrument.

Derivative financial instruments

The Terrace Hill Group enters into derivative transactions such as interest rate caps and floors in order to manage the risks arising from its activities. Derivatives are initially recorded at fair value and are subsequently re-measured to fair value based on market prices, estimated future cash flows and forward rates as appropriate. Any change in the fair value of such derivatives is recognised immediately in the consolidated statement of comprehensive income as a finance cost or finance income.

Cash and cash equivalents

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

Trade and other receivables

Trade and other receivables 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 Terrace Hill Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being 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 bank loans and overdrafts 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 the obtaining of 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 development and investment properties are added to the costs of such properties until the properties are ready for 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 under IFRS requires the directors to make estimates and assumptions that affect the application of accounting policies. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are shown below.

Development income

When a contract for the sale of a property is judged to be a construction contract (see revenue recognition policy for development income), revenue is recognised using the percentage-of-completion method as construction progresses. The percentage of completion is estimated by reference to the stage of the projects and contracts – determined based on the proportion of contract costs incurred to date and the estimated costs to complete.

Investment and development property valuation

In relation to investment and development properties, the directors rely upon the external valuations and advice provided by professionally qualified valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors.

The Terrace Hill Group uses valuations performed by its independent valuers as the fair value of its investment properties and uses market evidence in assessing the net realisable values of its development properties. Valuations are based upon assumptions including future rental income, anticipated maintenance costs, future development costs and the appropriate discount rate. The valuers also make reference to market evidence of transaction prices for similar properties.

Taxation

There are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Terrace Hill Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due. The Terrace Hill Group believes that its accruals for tax liabilities are adequate for all open audit 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period. If the revisions affect both current and future periods, they are recognised in the period of the revision and future periods.

Impairment of goodwill

The Terrace Hill Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value-in-use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate where the cash flows exceed one year in order to calculate the present value of the cash flows. Actual outcomes may vary. More information, including carrying values, is shown in note 10.

2. Revenue

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Development sales and construction contracts	1,274	45,121	62,583	61,200
Rents receivable	503	2,162	2,451	3,254
Project management fees and other income	307	1,203	865	1,956
	<u>2,084</u>	<u>48,486</u>	<u>65,899</u>	<u>66,410</u>

Construction contracts

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Number of construction contracts	2	5	4	2
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue on construction contracts	743	28,687	47,004	16,030
Costs of construction contracts	<u>(214)</u>	<u>(21,197)</u>	<u>(33,141)</u>	<u>(12,878)</u>
Profit on construction contracts	<u>529</u>	<u>7,490</u>	<u>13,863</u>	<u>3,152</u>

Construction contract revenue is recognised in the accounts in line with contract stage of completion determined as the proportion of total estimated development costs incurred at the reporting date. No advances or retentions have been received for construction contracts.

3. Segmental information

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

The Terrace Hill Group operates in two principal segments, being commercial property development and investment and residential property investment. The commercial segment includes foodstores, central London office developments and regional developments. The group does not operate outside the UK. The residential property investment segment has been treated as discontinued. More detail is given in note 9.

	<i>Residential December 2013 £'000</i>	<i>Commercial December 2013 £'000</i>	<i>Unallocated items December 2013 £'000</i>	<i>Total December 2013 £'000</i>	<i>Residential September 2013 £'000</i>	<i>Commercial September 2013 £'000</i>	<i>Unallocated items September 2013 £'000</i>	<i>Total September 2013 £'000</i>
Statement of comprehensive income								
Revenue	1,038	2,084	–	3,122	5,144	48,486	–	53,630
Direct costs	(967)	(4,803)	–	(5,770)	(4,598)	(35,913)	–	(40,511)
Gross profit	71	(2,719)	–	(2,648)	546	12,573	–	13,119
Administrative expenses	–	–	(1,299)	(1,299)	–	–	(6,074)	(6,074)
Goodwill impairment	–	–	–	–	(823)	–	–	(823)
Profit/(Loss) on disposal of investment properties	79	–	–	79	(236)	(35)	–	(271)
Impairment of associated undertakings and joint venture	–	–	–	–	–	–	–	–
Provision for financial guarantee over debts of associate	–	–	–	–	1,811	–	–	1,811
Loss on revaluation of investment properties	–	–	–	–	(11)	–	–	(11)
Operating profit/(loss)	150	(2,719)	(1,299)	(3,868)	1,287	12,538	(6,074)	7,751
Net finance costs	–	(170)	–	(170)	(701)	(892)	–	(1,593)
Share of results of joint venture before tax	–	–	–	–	–	43	–	43
Share of results of associated undertakings before tax	–	–	–	–	–	–	–	–
Profit/(loss) before tax from continuing operations	–	(2,889)	(1,299)	(4,188)	–	11,689	(6,074)	5,615
Profit before tax from discontinued operations	150	–	–	150	586	–	–	586
Profit/(loss) before tax	150	(2,889)	(1,299)	(4,038)	586	11,689	(6,074)	6,201

	<i>Residential September 2012 £'000</i>	<i>Commercial September 2012 £'000</i>	<i>Unallocated items September 2012 £'000</i>	<i>Total September 2012 £'000</i>	<i>Residential September 2011 £'000</i>	<i>Commercial September 2011 £'000</i>	<i>Unallocated items September 2011 £'000</i>	<i>Total September 2011 £'000</i>
Statement of comprehensive income								
Revenue	1,066	65,899	–	66,965	1,356	66,410	–	67,766
Direct costs	(407)	(51,743)	–	(52,150)	(518)	(60,815)	–	(61,333)
Gross profit	659	14,156	–	14,815	838	5,595	–	6,433
Administrative expenses	–	–	(4,747)	(4,747)	–	–	(4,343)	(4,343)
Goodwill impairment	(148)	–	–	(148)	–	–	–	–
Profit/(Loss) on disposal of investment properties	(570)	–	–	(570)	–	–	–	–
Impairment of associated undertakings and joint venture	–	(219)	–	(219)	–	(1,000)	–	(1,000)
Provision for financial guarantee over debts of associate	(5,094)	–	–	(5,094)	(917)	–	–	(917)
Loss on revaluation of investment properties	(30)	(500)	–	(530)	(3,628)	(500)	–	(4,128)
Operating profit/(loss)	(5,183)	13,437	(4,747)	3,507	(3,707)	4,095	(4,343)	(3,955)
Net finance costs	(481)	(1,033)	7	(1,507)	(514)	(4,073)	(2)	(4,589)
Share of results of joint venture before tax	–	(200)	–	(200)	–	(236)	–	(236)
Share of results of associated undertakings before tax	–	–	–	–	(1,459)	–	–	(1,459)
Profit/(loss) before tax from continuing operations	–	12,204	(4,740)	7,464	–	(214)	(4,345)	(4,559)
(Loss)/profit before tax from discontinued operations	(5,664)	–	–	(5,664)	(5,680)	–	–	(5,680)
Profit before tax	<u>(5,664)</u>	<u>12,204</u>	<u>(4,740)</u>	<u>1,800</u>	<u>(5,680)</u>	<u>(214)</u>	<u>(4,345)</u>	<u>(10,239)</u>

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.

During the three months ended 31 December 2013, one major commercial customer generated £632,000 of revenue, representing 10 per cent. or more of the total revenues.

In the year ended 30 September 2013 three major commercial customers generated £34,652,000 of revenue. Each of these represented 10 per cent. or more of the total revenues. The amounts were £9,242,000, £7,785,000 and £17,625,000.

In the year ended 30 September 2012, there were four major commercial customers that generated £54,751,000 of revenue. Each of these represented 10 per cent. or more of the total revenues. The amounts were £9,826,000, £26,256,000, £8,896,000 and £9,773,000.

In the year ended 30 September 2011, there were also four major customers that generated £50,680,000 of revenue. Each of these represented 10 per cent. or more of the total revenues. The amounts were £7,187,000, £8,843,000, £26,750,000 and £7,900,000.

	<i>Residential December 2013 £'000</i>	<i>Commercial December 2013 £'000</i>	<i>Unallocated items December 2013 £'000</i>	<i>Total December 2013 £'000</i>	<i>Residential September 2013 £'000</i>	<i>Commercial September 2013 £'000</i>	<i>Unallocated items September 2013 £'000</i>	<i>Total September 2013 £'000</i>
Balance sheet								
Investment properties	–	–	–	–	162	–	–	162
Property, plant and equipment	–	–	88	88	–	–	95	95
Investments – associates and joint venture	–	1,000	–	1,000	–	1,000	–	1,000
Other investments	–	4,279	–	4,279	–	4,279	–	4,279
Intangible assets	–	2,365	–	2,365	–	2,365	–	2,365
Deferred tax assets	–	–	5,422	5,422	–	–	5,213	5,213
	<u>–</u>	<u>7,644</u>	<u>5,510</u>	<u>13,154</u>	<u>162</u>	<u>7,644</u>	<u>5,308</u>	<u>13,114</u>
Investment properties – held for sale	126	–	–	126	–	–	–	–
Development properties	431	54,291	–	54,722	1,273	56,927	–	58,200
Trade and other receivables	19	11,786	–	11,805	24	14,549	–	14,573
Cash	313	7,242	–	7,555	145	8,499	–	8,644
	<u>889</u>	<u>73,319</u>	<u>–</u>	<u>74,208</u>	<u>1,442</u>	<u>79,975</u>	<u>–</u>	<u>81,417</u>
Borrowings	–	(22,957)	–	(22,957)	–	(26,129)	–	(26,129)
Trade and other payables	(214)	(8,364)	–	(8,578)	(285)	(8,652)	–	(8,937)
Current tax	–	–	(3,049)	(3,049)	–	–	(3,049)	(3,049)
Deferred tax liabilities	–	–	(659)	(659)	–	–	(867)	(867)
	<u>(214)</u>	<u>(31,321)</u>	<u>(3,708)</u>	<u>(35,243)</u>	<u>(285)</u>	<u>(34,781)</u>	<u>(3,916)</u>	<u>(38,982)</u>
Net assets	<u>675</u>	<u>49,642</u>	<u>1,802</u>	<u>52,119</u>	<u>1,319</u>	<u>52,838</u>	<u>1,392</u>	<u>55,549</u>

	<i>Residential September 2012 £'000</i>	<i>Commercial September 2012 £'000</i>	<i>Unallocated items September 2012 £'000</i>	<i>Total September 2012 £'000</i>	<i>Residential September 2011 £'000</i>	<i>Commercial September 2011 £'000</i>	<i>Unallocated items September 2011 £'000</i>	<i>Total September 2011 £'000</i>
Balance sheet								
Investment properties	12,928	2,250	–	15,178	18,643	2,750	–	21,393
Property, plant and equipment	–	17	128	145	–	15	161	176
Investments – associates and joint venture	–	1,000	–	1,000	–	1,419	–	1,419
Other investments	–	4,279	–	4,279	–	4,279	–	4,279
Intangible assets	823	2,365	–	3,188	971	2,365	–	3,336
Deferred tax assets	–	–	6,467	6,467	–	–	5,710	5,710
	<u>13,751</u>	<u>9,911</u>	<u>6,595</u>	<u>30,257</u>	<u>19,614</u>	<u>10,828</u>	<u>5,871</u>	<u>36,313</u>
Development properties	–	70,284	–	70,284	–	72,961	–	72,961
Trade and other receivables	231	17,020	–	17,251	257	9,661	–	9,918
Cash	493	5,506	–	5,999	93	11,537	–	11,630
	<u>724</u>	<u>92,810</u>	<u>–</u>	<u>93,534</u>	<u>350</u>	<u>94,159</u>	<u>–</u>	<u>94,509</u>
Borrowings	(9,987)	(43,178)	–	(53,165)	(17,407)	(45,631)	–	(63,038)
Trade and other payables	(6,515)	(10,033)	–	(16,548)	(1,330)	(15,211)	–	(16,541)
Current tax	–	–	(3,014)	(3,014)	–	–	(3,109)	(3,109)
Deferred tax liabilities	–	–	(851)	(851)	–	–	–	–
	<u>(16,502)</u>	<u>(53,211)</u>	<u>(3,865)</u>	<u>(73,578)</u>	<u>(18,737)</u>	<u>(60,842)</u>	<u>(3,109)</u>	<u>(82,688)</u>
Net assets/ (liabilities)	<u>(2,027)</u>	<u>49,510</u>	<u>2,730</u>	<u>50,213</u>	<u>1,227</u>	<u>44,145</u>	<u>2,762</u>	<u>48,134</u>

4. Finance costs and finance income

	<i>3 months ended</i>		<i>Year ended 30 September</i>	
	<i>31 December 2013</i>	<i>31 December 2013</i>	<i>2013</i>	<i>2012</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Interest payable on borrowings	273	1,452	1,890	2,906
Interest shortfall guarantee	–	–	–	2,000
Interest capitalised	(69)	(356)	(613)	(374)
Finance costs	<u>204</u>	<u>1,096</u>	<u>1,277</u>	<u>4,532</u>
Interest receivable from cash deposits and other financial assets	34	204	251	457
Finance income	<u>34</u>	<u>204</u>	<u>251</u>	<u>457</u>

Interest is capitalised at the same rate as the group is charged on the respective borrowings. There were no interest rate swaps during the three months ended 31 December 2013 and the years ended 30 September 2013 and 2012. In the year ended 30 September 2011, £177,000 of gains were included in finance income, representing the reversal of fair value adjustments on interest rate swaps that expired during the year.

5. Administrative expenses

Are arrived at after charging/(crediting):

	<i>3 months</i>			
	<i>to</i>			
	<i>31 December</i>	<i>Year ended 30 September</i>		
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation of property, plant and equipment	11	47	59	94
Impairment of goodwill	–	823	148	–
Loss/(gain) on disposal of property, plant and equipment	–	11	–	(64)
Operating lease charges – rent of properties	343	1,400	1,393	1,327
Share-based payment remuneration	191	406	337	196
Fees paid to BDO LLP in respect of:				
– audit of the group	50	100	119	100
Other services:				
– audit of subsidiaries and associates	–	35	35	52
– audit-related assurance services	–	25	35	30
– non-audit services	–	32	40	–
	<u>11</u>	<u>1,400</u>	<u>1,393</u>	<u>1,327</u>

6. Employee costs

(a) Total staff costs

	<i>3 months</i>			
	<i>to</i>			
	<i>31 December</i>	<i>Year ended 30 September</i>		
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Wages and salaries	768	6,126	4,231	4,777
Employer's national insurance contributions and similar taxes	167	715	549	676
Defined contribution pension cost	117	549	487	497
Share-based payments	191	406	337	196
	<u>1,243</u>	<u>7,796</u>	<u>5,604</u>	<u>6,146</u>

(b) Directors' remuneration

	<i>3 months</i>			
	<i>to</i>			
	<i>31 December</i>	<i>Year ended 30 September</i>		
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Emoluments	222	1,587	855	980
Amounts paid to third parties in respect of directors' services	8	34	34	34
Defined contribution pension cost	44	149	149	182
Share-based payments	110	210	151	180
	<u>384</u>	<u>1,980</u>	<u>1,189</u>	<u>1,376</u>

Remuneration of highest paid director

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September</i>		
		<i>2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Total emoluments (excluding pension contributions)	76	589	295	361
Defined pension costs	15	50	50	39
	<u>91</u>	<u>639</u>	<u>345</u>	<u>400</u>

There is a charge of £39,000 (2013: 74,000, 2012: £53,000, 2011: £63,000) in respect of the share-based payments scheme.

The average monthly number of employees during each period was:

	<i>3 months to 31 December 2013</i>	<i>Year ended 30 September</i>		
		<i>2013</i>	<i>2012</i>	<i>2011</i>
Property	14	14	17	19
Administration	13	13	14	16
	<u>27</u>	<u>27</u>	<u>31</u>	<u>35</u>

Directors' emoluments

The remuneration of each director, excluding long-term incentive awards, during the three months ended 31 December 2013 and the years ended 30 September 2013, 2012 and 2011 is detailed in the tables below:

	<i>Salary/fees £'000</i>	<i>Benefits £'000</i>	<i>Bonus £'000</i>	<i>Total for 3 months ended 31 December 2013 £'000</i>
Executive				
R F M Adair	72	3	–	75
P A J Leech	72	3	–	75
J M Austen	60	3	–	63
Non-executive				
R W Dyson	6	–	–	6
A N Gaskell	4	–	–	4
W P Wyatt	4	–	–	4
Total	<u>218</u>	<u>9</u>	<u>–</u>	<u>227</u>

	<i>Salary/fees</i>	<i>Benefits</i>	<i>Bonus</i>	<i>Total for</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>year ended</i>
				<i>30 September</i>
				<i>2013</i>
				<i>£'000</i>
Executive				
R F M Adair	300	15	231	546
P A J Leech	300	13	289	602
J M Austen	249	15	196	460
Non-executive				
R W Dyson	23	–	–	23
A N Gaskell	17	–	–	17
W P Wyatt	17	–	–	17
Total	<u>906</u>	<u>43</u>	<u>716</u>	<u>1,665</u>

	<i>Salary/fees</i>	<i>Benefits</i>	<i>Bonus</i>	<i>Total for</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>year ended</i>
				<i>30 September</i>
				<i>2012</i>
				<i>£'000</i>
Executive				
R F M Adair	294	–	–	294
P A J Leech	294	1	–	295
J M Austen	244	3	–	247
Non-executive				
R W Dyson	23	–	–	23
A N Gaskell	17	–	–	17
W P Wyatt	17	–	–	17
Total	<u>889</u>	<u>4</u>	<u>–</u>	<u>893</u>

	<i>Salary/fees</i>	<i>Benefits</i>	<i>Bonus</i>	<i>Total for</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>year ended</i>
				<i>30 September</i>
				<i>2011</i>
				<i>£'000</i>
Executive				
R F M Adair	280	13	–	293
P A J Leech	298	8	55	361
J M Austen	245	3	47	295
Non-executive				
R W Dyson	23	–	–	23
A N Gaskell	17	–	–	17
A J Green	8	–	–	8
W P Wyatt	17	–	–	17
Total	<u>888</u>	<u>24</u>	<u>102</u>	<u>1,014</u>

	<i>Pension contribution for 3 months ended</i>		<i>Pension contribution for year ended 30 September</i>		
	<i>31 December</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Executive					
R F M Adair	13	50	50	98	
P A J Leech	13	50	50	39	
J M Austen	12	49	49	45	
Total	<u>38</u>	<u>149</u>	<u>149</u>	<u>182</u>	

Directors' interest in performance share awards

Full details of outstanding performance share awards in the Company held by executive directors at 31 December 2013 are shown below:

	<i>Number of awards</i>	<i>Date of grant</i>	<i>Grant price</i>	<i>Exercise period</i>
R F M Adair	585,484	28-Mar-12	10.50p	1 October 2014 – 27 March 2022
R F M Adair	2,134,688	07-Jun-13	21.38p	1 October 2015 – 6 June 2023
P A J Leech	585,484	28-Mar-12	10.50p	1 October 2014 – 27 March 2022
P A J Leech	2,134,688	07-Jun-13	21.38p	1 October 2015 – 6 June 2023
J M Austen	594,059	01-Sep-08	25.00p	1 September 2010 – 31 August 2017
J M Austen	496,065	28-Mar-12	10.50p	1 October 2014 – 27 March 2022
J M Austen	1,808,663	07-Jun-13	21.38p	1 October 2015 – 6 June 2023

7. Tax on profit of ordinary activities

(a) *analysis of charge in the period*

	<i>3 months to</i>		<i>Year ended 30 September</i>		
	<i>31 December</i>		<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>	
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	
Current tax					
UK Corporation tax on profit for the period	–	–	–	59	
Adjustment in respect of prior periods	–	–	(36)	46	
Total current tax	<u>–</u>	<u>–</u>	<u>(36)</u>	<u>105</u>	
Deferred tax					
Impact of rate change	365	361	222	210	
Origination and reversal of timing differences	(782)	910	(128)	(131)	
Total deferred tax (credit)/charge	<u>(417)</u>	<u>1,271</u>	<u>94</u>	<u>79</u>	
Total tax (credit)/charge	<u>(417)</u>	<u>1,271</u>	<u>58</u>	<u>184</u>	

(b) **Factors affecting the tax charge for the period**

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 23.0 per cent., (2013: 23.5 per cent., 2012: 25 per cent., 2011: 27 per cent.). The differences are explained below:

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Profit before tax from continuing and discontinued operations	(4,038)	6,201	1,800	(10,239)
Plus joint ventures and associates	–	–	200	1,695
Profit attributable to the group before tax	<u>(4,038)</u>	<u>6,201</u>	<u>2,000</u>	<u>(8,544)</u>
Profit multiplied by the average rate of UK corporation tax of 23.0% (2013: 23.5%, 2012: 25.0%, 2011: 27.0%)	(929)	1,457	500	(2,307)
Disallowable	–	321	(181)	2,366
Other temporary differences	147	(1,085)	(447)	(131)
Impact of rate change	365	361	222	210
	<u>(417)</u>	<u>1,054</u>	<u>94</u>	<u>138</u>
Adjustments in respect of prior periods	–	217	(36)	46
Total tax (credit)/charge	<u>(417)</u>	<u>1,271</u>	<u>58</u>	<u>184</u>

(c) **Associates and joint venture**

The Terrace Hill Group's share of tax on the associates and joint ventures is £Nil (2013: £Nil, 2012: £Nil, 2011: £Nil).

8. Earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share is based on a loss of £3,621,000 (2013 profit: £4,930,000, 2012 profit: £1,742,000, 2011 loss: £10,423,000) and on 210,951,299 (2013: 210,951,299, 2012: 210,951,299, 2011: 210,951,299) ordinary shares, being the weighted average number of shares in issue during the year.

The calculation of diluted earnings per ordinary share for December 2013 (also year ended September 2011) is the same as that for basic earnings per share. The calculation for diluted earnings per ordinary share in September 2013 was based on earnings of £4,930,000 (2012: £1,742,000) and on 211,545,352 (2012: 211,426,546) ordinary shares being the weighted average number of shares in issue during the period adjusted to allow for the issue of ordinary shares in connection with a share award.

9. Discontinued operations

The Terrace Hill Group's discontinued operations represent the residential property investment segment.

The post-tax gain/(loss) on disposal of discontinued operations was determined as follows:

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Revenue	1,038	5,144	1,066	1,356
Expenses other than finance costs	(888)	(3,857)	(6,249)	(6,522)
Finance costs	–	(701)	(481)	(514)
Profit/(loss) for the year	<u>150</u>	<u>586</u>	<u>(5,664)</u>	<u>(5,680)</u>

Earnings per share from discontinued operations

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Basic earnings/(loss) per share	0.07p	0.28p	(2.68p)	(2.69p)
Diluted earnings/(loss) per share	<u>0.07p</u>	<u>0.28p</u>	<u>(2.68p)</u>	<u>(2.69p)</u>

Statement of cash flows on discontinued operations

	<i>3 months to 31 December 2013 £'000</i>	<i>Year ended 30 September 2013 £'000</i>	<i>2012 £'000</i>	<i>2011 £'000</i>
Operating activities	847	(701)	(481)	1,295
Investing activities	114	12,590	5,367	–
Financing activities	–	(12,237)	(4,486)	(2,968)
Net cash from discontinued operations	<u>961</u>	<u>(348)</u>	<u>400</u>	<u>(1,673)</u>

10. Intangible fixed assets – Goodwill

	£'000
Cost	
At 1 October 2010	5,997
At 1 October 2011	5,997
At 1 October 2012	5,997
At 30 September 2013	5,997
At 31 December 2013	5,997
Impairment	
At 1 October 2010	(2,661)
At 1 October 2011	(2,661)
Charge for the year	(148)
At 1 October 2012	(2,809)
Charge for the year	(823)
At 30 September 2013	(3,632)
At 31 December 2013	(3,632)
Carrying value	
At 31 December 2013	2,365
At 30 September 2013	2,365
At 30 September 2012	3,188
At 30 September 2011	3,336

Impairment tests for goodwill

Goodwill arising on acquisition is allocated to the Terrace Hill Group's cash-generating units identified according to business activity.

	<i>3 months</i>		<i>Year ended 30 September</i>	
	<i>to</i>			
	<i>31 December</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>
		<i>2013</i>	<i>2012</i>	<i>2011</i>
		<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Commercial properties	2,365	2,365	2,365	2,365
Investment properties	–	–	823	971
	<u>2,365</u>	<u>2,365</u>	<u>3,188</u>	<u>3,336</u>

The value of goodwill allocated to the investment activity is directly related to a number of residential units held. As these units are disposed of an impairment charge is made.

During the year ended 30 September 2013, the vast majority of properties were sold and an amount of £823,000 was charged to the consolidated income statement.

During the year ended 30 September 2012, 32 properties were sold and an amount of £148,000 was charged to the consolidated income statement.

The recoverable amount of goodwill allocated to commercial property activities has been determined from value-in-use calculations based on cash flow projections of the cash-generating unit. These are reviewed to ensure that the cash-generating units in respect of which the goodwill arose continue to generate cash flows in excess of the carrying value of the goodwill. The cash flow period considered is 24 months and is based

on forecast asset sales which take into consideration management's assessment of past experience and future economic benefits in light of anticipated economic and market conditions. As the period considered is greater than 12 months, discounting is applied. The discount rate applied is 15 per cent., which takes into account not only the time value of money but also management's assessment of the specific risks related to the cash-generating unit. If this recoverable amount is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is recognised as an expense.

The carrying value of the Terrace Hill Group's goodwill is reassessed at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

11. Property, plant and equipment

	<i>Leasehold improvements</i> £'000	<i>Motor vehicles</i> £'000	<i>Office equipment</i> £'000	<i>Furniture and fittings</i> £'000	<i>Total</i> £'000
Cost					
At 1 October 2010	159	273	120	216	768
Additions	–	–	69	1	70
Disposals	–	(258)	(3)	(5)	(266)
At 1 October 2011	159	15	186	212	572
Additions	–	2	16	10	28
At 1 October 2012	159	17	202	222	600
Additions	–	–	13	–	13
Disposals	–	(17)	–	(47)	(64)
At 1 October 2013	159	–	215	175	549
Additions	–	–	4	–	4
At 31 December 2013	159	–	219	175	553
Depreciation					
At 1 October 2010	54	210	93	176	533
Charge for year	16	28	26	24	94
Disposals	–	(224)	(2)	(5)	(231)
At 1 October 2011	70	14	117	195	396
Charge for year	16	–	31	12	59
At 1 October 2012	86	14	148	207	455
Charge for year	16	–	30	1	47
Disposals	–	(14)	–	(34)	(48)
At 1 October 2013	102	–	178	174	454
Charge for period	4	–	7	–	11
At 31 December 2013	106	–	185	174	465
Net book value					
At 31 December 2013	53	–	34	1	88
At 30 September 2013	57	–	37	1	95
At 30 September 2012	73	3	54	15	145
At 30 September 2011	89	1	69	17	176

Throughout the period the financial information covers, there were no assets held under finance leases.

12. Investment properties – held for sale

	<i>£'000</i>
Valuation	
At 1 October 2010	25,541
Transfers	(20)
Loss on revaluation	<u>(4,128)</u>
At 1 October 2011	21,393
Disposals	(5,685)
Loss on revaluation	<u>(530)</u>
At 1 October 2012	15,178
Additions	5
Disposals	(15,010)
Loss on revaluation	<u>(11)</u>
At 1 October 2013	162
Additions	8
Disposals	<u>(44)</u>
At 31 December 2013	<u><u>126</u></u>

The Terrace Hill Group did not incur any direct operating expenses arising from investment property that did not generate rental income.

The commercial investment properties situated in England owned by the Terrace Hill Group at 30 September 2012 and 30 September 2011 were valued by qualified valuers from CBRE Limited, an independent firm of Chartered Surveyors, on the basis of open market value. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

Residential investment properties owned by the Terrace Hill Group have been valued during the years to 30 September 2013, 30 September 2012 and 30 September 2011 by qualified valuers from Allsop LLP, an independent firm of chartered surveyors, on an investment value basis. The valuations were carried out in accordance with guidance issued by the Royal Institution of Chartered Surveyors.

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

At 31 December 2013 the investment properties, part of the investment and residential property investment segment, are classified as held for sale. The properties are being actively marketed and are expected to complete within one year.

	<i>3 months</i>			
	<i>to</i>	<i>Year ended 30 September</i>		
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Rental income generated from investment property	–	633	1,023	1,106
Direct rental operating costs	–	<u>(262)</u>	<u>(447)</u>	<u>(500)</u>
	<u>–</u>	<u>371</u>	<u>576</u>	<u>606</u>

13. Investments

Associates and Joint venture

<i>Valuation</i>	<i>Associates</i> £'000	<i>Joint venture</i> £'000	<i>Total</i> £'000
At 1 October 2010	2,001	655	2,656
Share of results	(1,459)	(236)	(1,695)
Impairment	(1,000)	–	(1,000)
Share of results for period applied against long term receivables forming part of net investment	1,458	–	1,458
At 1 October 2011	1,000	419	1,419
Share of results	–	(200)	(200)
Impairment	–	(219)	(219)
At 1 October 2012	1,000	–	1,000
Share of results	–	43	43
Losses for period applied against long term receivables forming part of net investment	–	(43)	(43)
At 1 October 2013	1,000	–	1,000
Share of results	–	–	–
Losses for period applied against long term receivables forming part of net investment	–	–	–
At 31 December 2013	<u>1,000</u>	<u>–</u>	<u>1,000</u>

The group's interests in its associates were as follows:

Terrace Hill Residential plc	49%	Property investment
Castlegate House partnership	30%	Property development
Devcap 2 partnership	26%	Property development
Terrace Hill Development partnership	20%	Property development

Terrace Hill Residential plc is incorporated in Scotland.

Summarised results for the period ended 31 December 2013 are not currently available but set out below are the last 3 years' results for each associate up to 30 September 2013. Having made enquiries, the directors have assessed that there is nothing significant to reflect for the associates under the equity method of accounting for the period ended 31 December 2013.

Summarised information for the year ended September 2013

	<i>TH</i> <i>Development</i> <i>p'ship</i> <i>£'000</i>	<i>Devcap 2</i> <i>p'ship</i> <i>£'000</i>	<i>Castlegate</i> <i>House</i> <i>p'ship</i> <i>£'000</i>	<i>TH</i> <i>residential plc</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Revenue	1,486	2,788	827	1,832	6,933
(Loss)/Profit after taxation	(41)	(1,451)	94	7,297	5,899
Total assets	<u>23,495</u>	<u>39,704</u>	<u>7,392</u>	<u>70</u>	<u>70,661</u>
Bank debt	(1,980)	(40,643)	(8,222)	–	(50,845)
Other liabilities	(23,533)	(14,666)	(2,734)	(35,535)	(76,468)
Total liabilities	<u>(25,513)</u>	<u>(55,309)</u>	<u>(10,956)</u>	<u>(35,535)</u>	<u>(127,313)</u>
Net liabilities	<u>(2,018)</u>	<u>(15,605)</u>	<u>(3,564)</u>	<u>(35,465)</u>	<u>(56,652)</u>
Opening amount of interest under equity method	1,000	–	–	–	1,000
Closing carrying amount of interest under equity method	1,000	–	–	–	1,000
Capital commitments	–	–	–	–	–
Share of current year unrecognised (loss)/profit	(8)	(379)	28	3,575	3,216
Cumulative share of unrecognised profit/(loss)	<u>1,596</u>	<u>(4,069)</u>	<u>(391)</u>	<u>(2,585)</u>	<u>(5,449)</u>

Terrace Hill Group plc has no legal or constructive obligations to fund the losses of these associates. Terrace Hill Development Partnership has not been equity accounted for as the entity has preferential investors that will receive their return before Terrace Hill Group plc. When the entity can satisfy the obligations to those investors equity accounting will resume.

Terrace Hill Development Partnership is classified as an associate due to significant influence over its operating activities.

Summarised information for the year ended September 2012

	<i>TH Development p'ship £'000</i>	<i>Devcap 2 p'ship £'000</i>	<i>Castlegate House p'ship £'000</i>	<i>TH residential plc £'000</i>	<i>Total £'000</i>
Revenue	16,592	2,752	615	7,144	27,103
(Loss)/Profit after taxation	896	(2,821)	17	(8,718)	(10,626)
Total assets	24,474	39,360	7,284	71,762	142,880
Bank debt	(6,892)	(40,653)	(8,238)	(80,847)	(136,630)
Other liabilities	(19,558)	(12,860)	(2,704)	(33,677)	(68,799)
Total liabilities	(26,450)	(53,513)	(10,942)	(114,524)	(205,429)
Net liabilities	(1,976)	(14,153)	(3,658)	(42,762)	(62,549)
Opening amount of interest under equity method	1,000	–	–	–	1,000
Closing carrying amount of interest under equity method	1,000	–	–	–	1,000
Capital commitments	–	–	–	–	–
Share of current year unrecognised (loss)/profit	179	(736)	5	(4,272)	(4,824)
Cumulative share of unrecognised profit/(loss)	1,605	(1,592)	(420)	(6,011)	(6,418)

Summarised information for the year ended September 2011

	<i>TH Development p'ship £'000</i>	<i>Devcap 2 p'ship £'000</i>	<i>Castlegate House p'ship £'000</i>	<i>TH residential plc £'000</i>	<i>Total £'000</i>
Revenue	2,581	2,508	608	10,989	16,686
(Loss)/Profit after taxation	(1,313)	(1,895)	7	(4,849)	(8,050)
Total assets	36,770	42,057	7,290	165,743	251,860
Bank debt	(19,881)	(40,580)	(8,248)	(165,103)	(233,812)
Other liabilities	(19,761)	(12,809)	(2,718)	(34,684)	(69,972)
Total liabilities	(39,642)	(53,389)	(10,966)	(199,787)	(303,784)
Net liabilities	(2,872)	(11,332)	(3,676)	(34,044)	(51,924)
Opening amount of interest under equity method	2,000	–	–	–	2,000
Impairment	(1,000)	–	–	–	(1,000)
Closing carrying amount of interest under equity method	1,000	–	–	–	1,000
Capital commitments	–	–	–	–	–
Share of current year unrecognised (loss)/profit	(263)	(494)	2	(2,376)	(3,131)
Cumulative share of unrecognised profit/(loss)	1,426	(856)	(425)	(1,889)	(1,744)

During the year ended 30 September 2011, Two Orchards Limited was placed into administration on 19 May 2011. The Terrace Hill Group has fully provided for its investment in this company. Provision of £1.0 million was made against the Terrace Hill Group's investment in Terrace Hill Development Partnership based on a net liability position of that entity.

The Terrace Hill Group's interest in its joint venture which has been equity accounted in the financial information was as follows:

Achadonn Limited	50% Property development			
	<i>3 months to</i>		<i>Year ended 30 September</i>	
	<i>31 December</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>Achadonn Limited</i>	<i>Achadonn Limited</i>	<i>Achadonn Limited</i>	<i>Achadonn Limited</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	–	–	31	63
Profit/(loss)	(4)	86	(399)	(355)
Total assets	14,173	14,169	14,652	15,067
Bank debt	(8,110)	(8,110)	(8,110)	(8,110)
Other liabilities	(5,555)	(5,547)	(6,104)	(6,000)
Total liabilities	(13,665)	(13,657)	(14,214)	(14,110)
Net assets	508	512	438	957
At 1 October 2013	–	–	419	655
Share of results for the period	(2)	43	(200)	(236)
Losses for period applied against receivables forming part of net investment	2	(43)	–	–
Impairment of joint venture	–	–	(219)	–
At 31 December 2013	–	–	–	419

Other investments

Non-current assets

	<i>31 December</i>	<i>2013</i>	<i>30 September</i>	<i>2011</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Other investments	4,279	4,279	4,279	4,279

Included in other investments is a balance due from Howick Place JV S.à.r.l. totalling £4,273,000 (2013: £4,273,000, 2012, £4,273,000, 2011: £4,273,000) that has a final maturity date of 31 December 2014.

At 31 December 2013 the principal subsidiaries, held directly or indirectly by the Company were as follows:

<i>Incorporated in the United Kingdom</i>	<i>Proportion of voting rights and ordinary shares held</i>	<i>Nature of business</i>
Clansman Homes Limited	100%	Property development
Middlehaven Properties Limited	100%	Property development
PCG Investments Limited	100%	Investment holding company and property development
Terrace Hill Limited	100%	Investment holding company and property development
Terrace Hill (Baltic) Limited	100%	Property development
Terrace Hill Baltic (No 3) Limited	100%	Property development
Terrace Hill (Carlisle) Limited	100%	Property development
Terrace Hill (Central Scotland) Limited	100%	Property development
Terrace Hill (Christchurch) Limited	100%	Property development
Terrace Hill (Croydon) Limited	100%	Property development
Terrace Hill Developments Limited	100%	Property development
Terrace Hill (Feethams) Limited	100%	Property development
Terrace Hill (Herne Bay) Limited	100%	Property development
Terrace Hill (Howick Place) Investments Limited	100%	Investment holding company
Terrace Hill (Kilmarnock) Limited	100%	Property development
Terrace Hill (Management) Limited	100%	Management and administration
Terrace Hill Mayflower Plaza Limited	100%	Property development
Terrace Hill (Middlehaven) Limited	100%	Investment holding company and property development
Terrace Hill (Midsomer) Limited	100%	Property development
Terrace Hill (Middlesbrough) Limited	100%	Property development
Terrace Hill North East Limited	100%	Investment holding company and property development
Terrace Hill (Patna) Limited	100%	Property development
Terrace Hill Projects Limited	100%	Project coordination and management services
Terrace Hill (Property Developments) No 2 Limited	100%	Property development
Terrace Hill (Property Investment No 1) Limited	100%	Property investment
Terrace Hill (Property Investment No 2) Limited	100%	Property investment
Terrace Hill (Redcliff Street) Limited	100%	Property development
Terrace Hill (Shotts) Limited	100%	Property development
Terrace Hill (Skelton) Limited	100%	Property development
Terrace Hill Southampton Limited	100%	Property development
Terrace Hill (Stokesley) Limited	100%	Property development
Terrace Hill (Sunderland) Limited	100%	Property development
Terrace Hill (Victoria Street) Limited	100%	Property development
Westview Investments Limited	100%	Investment holding company and property development

The Terrace Hill Group has taken advantage of the exemption in S410 of the Companies Act 2006 only to disclose a list comprising solely the principal subsidiaries. A full list of subsidiaries will be sent to Companies House with the next annual return.

14. Development properties

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening balance	58,200	70,284	72,961	104,902
Additions	790	25,266	28,807	3,899
Transfers	–	–	–	20
Disposals	(1,263)	(36,404)	(30,919)	(29,754)
Amounts written back on the value of development properties	1,250	1,316	4,410	–
Amounts written off the value of development properties	(4,255)	(2,262)	(4,975)	(6,106)
Closing balance	<u>54,722</u>	<u>58,200</u>	<u>70,284</u>	<u>72,961</u>
Included in these figures is capitalised interest of	<u>7,837</u>	<u>7,774</u>	<u>8,614</u>	<u>9,839</u>

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

During the year ended 30 September 2012, one property has been written back to cost by £4,410,000 where the Directors have assessed that the net realisable value of the property exceeds the cost, following the conclusion of an agreement for lease on the future development of the site and the grant of planning permission.

15. Trade and other receivables

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade receivables	581	1,146	2,507	2,720
Other receivables	<u>2,668</u>	<u>3,552</u>	<u>2,216</u>	<u>2,665</u>
Trade and other receivables	3,249	4,698	4,723	5,385
Amounts recoverable under construction contracts	7,231	8,249	7,558	–
Prepayments and accrued income	1,325	1,626	4,970	1,819
Amounts due from associates and joint ventures	32,945	32,897	28,605	28,379
Provision for amounts due from associates and joint venture	<u>(32,945)</u>	<u>(32,897)</u>	<u>(28,605)</u>	<u>(25,665)</u>
	<u>11,805</u>	<u>14,573</u>	<u>17,251</u>	<u>9,918</u>

Amounts recoverable under construction contracts

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Contract costs incurred plus recognised profits less recognised losses to date	8,591	38,240	44,979	–
Less: progress billings	<u>(1,360)</u>	<u>(29,991)</u>	<u>(37,421)</u>	<u>–</u>
Contracts in progress at balance sheet date	<u>7,231</u>	<u>8,249</u>	<u>7,558</u>	<u>–</u>

The aging of trade and other receivables, past due but not impaired, was as follows:

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Up to 30 days	807	2,476	3,228	2,973
31 to 60 days	64	1	2	61
61 to 90 days	50	489	7	7
Over 90 days	340	174	77	169
Total	<u>1,261</u>	<u>3,140</u>	<u>3,314</u>	<u>3,210</u>
Amounts not yet due	<u>1,988</u>	<u>1,558</u>	<u>1,409</u>	<u>2,175</u>
Closing balance	<u><u>3,249</u></u>	<u><u>4,698</u></u>	<u><u>4,723</u></u>	<u><u>5,385</u></u>

No amounts were overdue at the year end.

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 October 2013	32,897	28,605	25,665	24,180
Increase in allowance on amounts due from associates and joint venture	<u>48</u>	<u>4,292</u>	<u>2,940</u>	<u>1,485</u>
Closing balance	<u><u>32,945</u></u>	<u><u>32,897</u></u>	<u><u>28,605</u></u>	<u><u>25,665</u></u>

The allowance is based on falling asset values in the associates and joint venture.

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

	<i>Loans and receivables</i>	<i>Non-financial assets</i>	<i>Total</i>	<i>Loans and receivables</i>	<i>Non-financial assets</i>	<i>Total</i>
	<i>31 December</i>	<i>31 December</i>	<i>31 December</i>	<i>30 September</i>	<i>30 September</i>	<i>30 September</i>
	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>	<i>2013</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current assets						
Trade receivables	581	–	581	1,146	–	1,146
Other receivables	2,668	–	2,668	3,552	–	3,552
Amounts recoverable on construction contracts	7,231	–	7,231	8,249	–	8,249
Prepayments and accrued income	–	1,325	1,325	–	1,626	1,626
Amounts due from associate and joint venture	–	–	–	–	–	–
Cash and cash equivalents	<u>7,555</u>	<u>–</u>	<u>7,555</u>	<u>8,644</u>	<u>–</u>	<u>8,644</u>
	<u><u>18,035</u></u>	<u><u>1,325</u></u>	<u><u>19,360</u></u>	<u><u>21,591</u></u>	<u><u>1,626</u></u>	<u><u>23,217</u></u>
Non-current assets						
Other investments	<u>4,279</u>	<u>–</u>	<u>4,279</u>	<u>4,279</u>	<u>–</u>	<u>4,279</u>
	<u><u>4,279</u></u>	<u><u>–</u></u>	<u><u>4,279</u></u>	<u><u>4,279</u></u>	<u><u>–</u></u>	<u><u>4,279</u></u>

	<i>Loans and receivables</i>	<i>Non-financial assets</i>	<i>Total</i>	<i>Loans and receivables</i>	<i>Non-financial assets</i>	<i>Total</i>
	<i>31 December 2012</i>	<i>31 December 2012</i>	<i>31 December 2012</i>	<i>30 September 2011</i>	<i>30 September 2011</i>	<i>30 September 2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current assets						
Trade receivables	2,507	–	2,507	2,720	–	2,720
Other receivables	2,216	–	2,216	2,665	–	2,665
Amounts recoverable on construction contracts	7,558	–	7,558	–	–	–
Prepayments and accrued income	–	4,970	4,970	–	1,819	1,819
Amounts due from associate and joint venture	–	–	–	2,714	–	2,714
Cash and cash equivalents	5,999	–	5,999	11,630	–	11,630
	<u>18,280</u>	<u>4,970</u>	<u>23,250</u>	<u>19,729</u>	<u>1,819</u>	<u>21,548</u>
Non-current assets						
Other investments	<u>4,279</u>	<u>–</u>	<u>4,279</u>	<u>4,279</u>	<u>–</u>	<u>4,279</u>
	<u>4,279</u>	<u>–</u>	<u>4,279</u>	<u>4,279</u>	<u>–</u>	<u>4,279</u>

16. Trade and other payables

	<i>31 December 2013</i>	<i>2013</i>	<i>30 September 2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	1,395	1,613	3,487	2,979
Other taxation and social security costs	336	115	284	2,204
Accruals and deferred income	3,613	3,626	4,210	7,195
Other payables	3,234	3,583	2,556	3,246
Other payables – guarantees	–	–	6,011	–
	<u>8,578</u>	<u>8,937</u>	<u>16,548</u>	<u>15,624</u>

In 2012 the Terrace Hill Group fully provided for its share of net liabilities in its associate, Terrace Hill Residential PLC, and an amount of £6.0 million was included in other payables in respect of a guarantee for a maximum of £15.0 million. In 2013 the Terrace Hill Group assumed £4.2 million of bank debt in exchange for the discharge of the guarantee, resulting in the release of £1.8 million to the statement of comprehensive income.

Other payables (non-current)

	<i>31 December 2013</i>	<i>2013</i>	<i>30 September 2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Other payables	<u>–</u>	<u>–</u>	<u>–</u>	<u>917</u>

The IAS 39 categories of financial liabilities included in the balance sheet and the headings in which they are included are as follows:

	<i>Total</i>	<i>Financial liabilities at amortised cost</i>	<i>Liabilities not within scope of IAS 39</i>	<i>Financial liabilities at amortised cost</i>	<i>Liabilities not within scope of IAS 39</i>	<i>Total</i>
	<i>31 December 2013</i>	<i>31 December 2013</i>	<i>31 December 2013</i>	<i>30 September 2013</i>	<i>30 September 2013</i>	<i>30 September 2013</i>
Current payables						
Trade payables	1,395	–	1,395	1,613	–	1,613
Other taxation and social security costs	–	336	336	–	115	115
Accruals and deferred income	3,613	–	3,613	3,626	–	3,626
Other payables	3,234	–	3,234	3,583	–	3,583
	<u>8,242</u>	<u>336</u>	<u>8,578</u>	<u>8,822</u>	<u>115</u>	<u>8,937</u>
Non-current payables						
Other payables	–	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

	<i>Total</i>	<i>Financial liabilities at amortised cost</i>	<i>Liabilities not within scope of IAS 39</i>	<i>Financial liabilities at amortised cost</i>	<i>Liabilities not within scope of IAS 39</i>	<i>Total</i>
	<i>31 December 2012</i>	<i>31 December 2012</i>	<i>31 December 2012</i>	<i>30 September 2011</i>	<i>30 September 2011</i>	<i>30 September 2011</i>
Current payables						
Trade payables	3,487	–	3,487	2,979	–	2,979
Other taxation and social security costs	–	284	284	–	2,204	2,204
Accruals and deferred income	4,210	–	4,210	7,195	–	7,195
Other payables	8,567	–	8,567	3,246	–	3,246
	<u>16,264</u>	<u>284</u>	<u>16,548</u>	<u>13,420</u>	<u>2,204</u>	<u>15,624</u>
Non-current payables						
Other payables	–	–	–	917	–	917
	<u>–</u>	<u>–</u>	<u>–</u>	<u>917</u>	<u>–</u>	<u>917</u>

17. Bank overdrafts and loans

	<i>31 December 2013</i>	<i>2013</i>	<i>30 September 2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans	23,030	26,242	53,624	63,112
Bank overdrafts	159	162	1	87
	<u>23,189</u>	<u>26,404</u>	<u>53,625</u>	<u>63,199</u>
Unamortised loan issue costs	(232)	(275)	(460)	(161)
	<u>22,957</u>	<u>26,129</u>	<u>53,165</u>	<u>63,038</u>
Amounts due:				
Within 1 year	5,071	7,384	40,699	26,808
After more than 1 year	17,886	18,745	12,466	36,230
	<u>22,957</u>	<u>26,129</u>	<u>53,165</u>	<u>63,038</u>

18. Deferred tax

Details of the deferred tax charged/(credited) to the consolidated statement of comprehensive income are as follows:

	31 December		30 September	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Trade losses	(209)	1,289	749	138
Share-based payments	–	–	163	(59)
Short-term timing differences	(208)	(18)	(818)	–
	<u>(417)</u>	<u>1,271</u>	<u>94</u>	<u>79</u>

The consolidated deferred tax assets and liabilities are as follows:

	31 December		30 September	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Deferred tax liability				
Short-term timing differences	659	867	851	–
	<u>659</u>	<u>867</u>	<u>851</u>	<u>–</u>
	31 December		30 September	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Deferred tax asset				
Share option scheme	–	–	–	163
Short-term timing differences	–	–	1,382	–
Trade losses	5,422	5,213	5,085	5,547
	<u>5,422</u>	<u>5,213</u>	<u>6,467</u>	<u>5,710</u>

Under IAS 12, deferred tax is recognised for tax potentially payable on the realisation of investment properties at fair values at the balance sheet date. No deferred tax asset is recognised in respect of losses if there is uncertainty over future recoverability.

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. In assessing the future recoverability of the deferred tax asset an asset sales forecast covering a three year period is prepared and the assessment of available taxable profits takes into account the Terrace Hill Group's overheads and finance costs. Sales are included where the Terrace Hill Group assess the sale as probable. The Terrace Hill Group has a history of utilising tax losses brought forward from prior periods and has a policy of utilising prior period losses in priority to any current year losses.

A deferred tax asset has not been recognised for unused tax losses of £15,690,000 (2013: £14,028,000, 2012: £17,813,000, 2011: £9,140,000).

19. Financial instruments

The Terrace Hill Group's principal financial instruments comprise loans, overdrafts, cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Terrace Hill Group's operations. Further information on the Terrace Hill Group's financial resources and capital management is given in the strategic report.

The Terrace Hill Group has various other financial instruments such as trade receivables and trade payables that arise directly from its operations and unlisted investments.

The main risks arising from the Terrace Hill Group's financial instruments are interest rate risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below. The magnitude of the risk that has arisen over the year is detailed below.

Interest rate risk

The Terrace Hill Group holds cash balances on short-term deposit. The Terrace Hill Group's policy is to monitor the level of these balances to ensure that funds are available as required, recognising that interest earnings will be subject to interest rate fluctuations.

The Terrace Hill Group borrows cash in the form of loans and overdrafts, which are subject to interest at floating rates, recognising that rates will fluctuate according to changes in LIBOR and the bank base rate. The Terrace Hill Group is cognisant at all times of movements in interest rates and will, as appropriate, enter into interest rate swaps to maintain a balance between borrowings that are subject to floating and fixed rates.

Credit risk

The Terrace Hill Group's principal financial assets are cash, trade receivables, amounts recoverable under construction contracts and other investments. Our cash deposits are placed with a range of banks to minimise the risk to the Terrace Hill Group. The principal risk therefore arises from trade receivables and amounts recoverable under construction contracts. Trade receivables from the sale of properties are secured against those properties until the proceeds are received. Rental receivables are unsecured but the Terrace Hill Group's exposure to tenant default is limited as no tenant accounts for more than 10 per cent. of total rent. Rental cash deposits and third party guarantees are obtained as a means of mitigating financial loss from defaults. Amounts recoverable under construction contracts are funded by the ultimate purchaser of the development, on whom extensive financial due diligence is carried out. Other investments represent amounts advanced to an entity undertaking a property development in central London. The Terrace Hill Group is entitled to a priority return and the board annually reviews the business plan of that entity.

Liquidity risk

The Terrace Hill Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank balances and loans. Cash flow and funding needs are regularly monitored.

Categories of financial assets and financial liabilities

	31 December		30 September	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Current financial assets				
Trade and other receivables	3,249	2,809	4,723	5,385
Amounts due from associates and joint venture	–	–	–	2,714
Amounts recoverable on construction contracts	7,231	8,249	7,558	–
Cash and cash equivalents	7,396	8,482	5,998	11,543
Total current financial assets	<u>17,876</u>	<u>19,540</u>	<u>18,279</u>	<u>19,642</u>
Non-current financial assets				
Other investments	4,279	4,279	4,279	4,279
Total non-current financial assets	<u>4,279</u>	<u>4,279</u>	<u>4,279</u>	<u>4,279</u>
Total financial assets	<u><u>22,155</u></u>	<u><u>23,819</u></u>	<u><u>22,558</u></u>	<u><u>23,921</u></u>

There are no financial assets held at fair value (2013: £Nil, 2012: £Nil, 2011: £6,000). The maximum exposure to credit risk in financial assets, excluding cash, is £14,259,000 (2013: £15,338,000, 2012: £16,560,000, 2011: £12,378,000).

The maximum amount due from any single party is £4,279,000 (2013: £4,279,000, 2012: £4,279,000, 2011: £4,279,000) included in other investments.

The interest rate profile of financial assets and liabilities of the Terrace Hill Group at 30 September 2013 was as follows:

	<i>Total</i> £'000	<i>Floating rate</i> <i>financial</i> <i>assets</i> £'000	<i>Fixed rate</i> <i>financial</i> <i>assets</i> £'000	<i>Financial</i> <i>assets on</i> <i>which no</i> <i>interest</i> <i>is earned</i> £'000
Sterling	<u>23,820</u>	<u>8,482</u>	<u>3,480</u>	<u>11,858</u>

	<i>Total</i> £'000	<i>Floating rate</i> <i>financial</i> <i>liabilities</i> £'000	<i>Fixed rate</i> <i>financial</i> <i>liabilities</i> £'000	<i>Financial</i> <i>liabilities on</i> <i>which no</i> <i>interest</i> <i>is earned</i> £'000
Sterling	<u>35,179</u>	<u>26,242</u>	<u>–</u>	<u>8,937</u>

The interest rate profile of financial assets and liabilities of the Terrace Hill Group at 30 September 2012 was as follows:

	<i>Total</i> £'000	<i>Floating rate</i> <i>financial</i> <i>assets</i> £'000	<i>Fixed rate</i> <i>financial</i> <i>assets</i> £'000	<i>Financial</i> <i>assets on</i> <i>which no</i> <i>interest</i> <i>is earned</i> £'000
Sterling	<u>15,000</u>	<u>5,998</u>	<u>3,480</u>	<u>5,522</u>

	<i>Total</i> £'000	<i>Floating rate</i> <i>financial</i> <i>liabilities</i> £'000	<i>Fixed rate</i> <i>financial</i> <i>liabilities</i> £'000	<i>Financial</i> <i>liabilities on</i> <i>which no</i> <i>interest</i> <i>is earned</i> £'000
Sterling	<u>69,088</u>	<u>53,624</u>	<u>–</u>	<u>15,464</u>

The interest rate profile of financial assets and liabilities of the Terrace Hill Group at 30 September 2011 was as follows:

	<i>Total</i> £'000	<i>Floating rate</i> <i>financial</i> <i>assets</i> £'000	<i>Fixed rate</i> <i>financial</i> <i>assets</i> £'000	<i>Financial</i> <i>assets on</i> <i>which no</i> <i>interest</i> <i>is earned</i> £'000
Sterling	<u>23,921</u>	<u>11,543</u>	<u>3,480</u>	<u>8,898</u>

	<i>Total</i> £'000	<i>Floating rate financial liabilities</i> £'000	<i>Fixed rate financial liabilities</i> £'000	<i>Financial liabilities on which no interest is earned</i> £'000
Sterling	<u>77,449</u>	<u>63,112</u>	<u>–</u>	<u>14,337</u>

The floating rate financial assets comprise:

- cash on deposit.

The floating rate financial liabilities comprise:

- Sterling denominated bank loans that bear interest based on LIBOR and bank base rates; and
- Sterling denominated bank overdrafts that bear interest based on bank base rates.

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

Borrowings

The Terrace Hill Group's bank borrowings and overdrafts are repayable as follows:

	<i>31 December</i> 2013 £'000	<i>2013</i> £'000	<i>30 September</i> 2012 £'000	<i>2011</i> £'000
On demand or within one year	5,106	7,485	40,745	26,975
In more than one year but less than two	18,083	18,919	9,949	36,224
In more than two years but less than five	–	–	2,931	–
	<u>23,189</u>	<u>26,404</u>	<u>53,625</u>	<u>63,199</u>

The bank loans are secured by legal charges over the Terrace Hill Group's investment and development properties together with guarantees from certain subsidiary undertakings with a limited guarantee from the parent company. Loans with principal guarantees from the parent company were repaid during the period.

Borrowing facilities

The Terrace Hill Group has the following undrawn committed bank borrowing facilities available to it at year end:

	<i>31 December</i> 2013 £'000	<i>2013</i> £'000	<i>30 September</i> 2012 £'000	<i>2011</i> £'000
Expiring in one year or less	<u>–</u>	<u>–</u>	<u>2,500</u>	<u>2,698</u>

Guarantees

Refer to note 22 for details.

Market rate sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits and derivative financial instruments. The analysis below shows the sensitivity of the statement of comprehensive income and net assets to a 0.5 per cent. change in interest rates on the Terrace Hill Group's financial instruments.

The sensitivity analysis is based on the sensitivity of interest to movements in interest rates and is calculated on net floating rate exposures on debt and deposits.

	<i>0.5% decrease in interest rates £'000</i>	<i>0.5% increase in interest rates £'000</i>
Impact on interest payable – gain/(loss)	51	(51)
Impact on interest receivable – gain/(loss)	(8)	8
Total impact on pre-tax profit and equity	<u>43</u>	<u>(43)</u>

The analysis below shows the sensitivity of the consolidated statement of comprehensive income and net assets to a 0.5 per cent. change in interest rates on the Terrace Hill Group's financial instruments for the year ended 30 September 2013.

	<i>0.5% decrease in interest rates £'000</i>	<i>0.5% increase in interest rates £'000</i>
Impact on interest payable – gain/(loss)	597	(597)
Impact on interest receivable – gain/(loss)	(189)	189
Total impact on pre-tax profit and equity	<u>408</u>	<u>(408)</u>

The analysis below shows the sensitivity of the consolidated statement of comprehensive income and net assets to a 0.5 per cent. change in interest rates on the Terrace Hill Group's financial instruments for the year ended 30 September 2012.

	<i>0.5% decrease in interest rates £'000</i>	<i>0.5% increase in interest rates £'000</i>
Impact on interest payable – gain/(loss)	442	(442)
Impact on interest receivable – gain/(loss)	(64)	64
Total impact on pre-tax profit and equity	<u>378</u>	<u>(378)</u>

The analysis below shows the sensitivity of the consolidated statement of comprehensive income and net assets to a 0.5 per cent. change in interest rates on the Terrace Hill Group's financial instruments for interest rates on the Terrace Hill Group's financial instruments for the year ended 30 September 2011.

	<i>0.5% decrease in interest rates £'000</i>	<i>0.5% increase in interest rates £'000</i>
Impact on interest payable – gain/(loss)	1,210	(1,210)
Impact on interest receivable – gain/(loss)	(72)	72
Total impact on pre-tax profit and equity	<u>1,138</u>	<u>(1,138)</u>

20. Share capital

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Authorised:				
500,000,000 (2013, 2012, 2011: 500,000,000) ordinary shares of 2 pence each	10,000	10,000	10,000	10,000
200,000 (2013, 2012, 2011: 200,000) cumulative 8% redeemable preference shares of £1 each	200	200	200	200
44,859 (2013, 2012, 2011: 44,859) convertible shares of 20 pence each	9	9	9	9
32,551,410 (2013, 2012, 2011: 32,551,410) deferred shares of 20 pence each	651	651	651	651
	<u>10,860</u>	<u>10,860</u>	<u>10,860</u>	<u>10,860</u>
Allotted, called up, and fully paid:				
211,971,299 (2013, 2012, 2011: 211,971,299) ordinary shares of 2 pence each	<u>4,240</u>	<u>4,240</u>	<u>4,240</u>	<u>4,240</u>

21. Reserves

	<i>Share premium</i>	<i>Own shares</i>	<i>Capital redemption reserve</i>	<i>Merger reserve</i>	<i>Retained earnings</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 October 2010	43,208	(609)	849	7,088	3,585
Total comprehensive income and expense for the year	–	–	–	–	(10,423)
Share-based payments	–	–	–	–	196
At 1 October 2011	43,208	(609)	849	7,088	(6,642)
Total comprehensive income and expense for the year	–	–	–	–	1,742
Share-based payments	–	–	–	–	337
Capital reduction	(25,000)	–	–	–	25,000
At 1 October 2012	18,208	(609)	849	7,088	20,437
Total comprehensive income and expense for the year	–	–	–	–	4,930
Share-based payments	–	–	–	–	406
At 1 October 2013	18,208	(609)	849	7,088	25,773
Total comprehensive income and expense for the period	–	–	–	–	(3,621)
Share-based payments	–	–	–	–	191
At 31 December 2013	<u>18,208</u>	<u>(609)</u>	<u>849</u>	<u>7,088</u>	<u>22,343</u>

The following describes the nature and purpose of each reserve within owners' equity:

Share premium – represents the excess of value of shares issued over their nominal amount.

Own shares – represents amount paid to purchase issued shares for the employee share-based payment plan.

Capital redemption reserve – represents amount paid to purchase issued shares for cancellation at their nominal value.

Merger reserve – the merger reserve has arisen following acquisitions where the group’s entity has formed all or part of the consideration and represents the premium on the issued shares less costs.

Retained earnings – represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income.

22. Contingent liabilities, capital commitments, and guarantees

The Terrace Hill Group has given a guarantee of £600,000 (2013: £600,000, 2012: £600,000, 2011: £600,000) as part of its development obligations.

Capital commitments relating to development sites are as follows:

	31 December		30 September	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Contracted but not provided for	18,723	27,765	10,854	3,171

23. Share based payments

The Terrace Hill Group operates an equity-settled share-based payment scheme for executive directors and certain senior management.

Options are granted over the Company’s shares that are capable of vesting on the third anniversary of issue dependent on certain performance conditions having been met. The performance conditions attached to these awards are as follows (relating to the three year period ending 30 September 2015):

- EPRA Triple Net Asset Value must increase by more than 2.5 per cent. per annum more than RPI for 25 per cent. vesting and must increase by more than 12.5 per cent. per annum more than RPI for 100 per cent. vesting; and
- Total Shareholder Return must be equal to the movement in the FTSE 350 Real Estate Index for 25 per cent. vesting and must exceed the FTSE 350 Real Estate Index by 15 per cent. or more for 100 per cent. vesting.

Awards will lapse if not vested at the end of the vesting period.

	3 months ended 31 December 2013			Year ended 30 September 2013				
	Value of award at grant date	Share price for grant	Number of share awards granted	Weighted average exercise price	Value of award at grant date	Share price for grant	Number of share awards granted	Weighted average exercise price
Awards outstanding at the start of the period			13,276,581	18.37p			8,254,851	18.08p
7 June 2013	–	–			17.53p – 19.41p	21.38p	8,811,499	
Awards granted in the period							8,811,499	21.38p
Awards lapsed in the period							(3,789,769)	24.75p
Awards outstanding at the end of the period			13,276,581	18.37p			13,276,581	18.37p

	Year ended 30 September 2012				Year ended 30 September 2011			
	Value of award at grant date	Share price for grant	Number of share awards granted	Weighted average exercise price	Value of award at grant date	Share price for grant	Number of share awards granted	Weighted average exercise price
Awards outstanding at the start of the period			17,322,937	21.40p			16,463,770	20.46p
29 March 2012/ 29 March 2011	1.51p – 8.53p	10.50p	3,871,023		16.00p – 22.080p	24.75p	3,815,915	
Awards granted in the period			3,871,023	10.50p			3,815,915	24.75p
Awards lapsed in the period			(12,939,111)	20.25p			(2,956,745)	–
Awards outstanding at the end of the period			8,254,849	18.08p			17,322,940	21.40p

The share options are equity settled and therefore the fair value is determined at the point the options are awarded. The fair value at award is calculated by using a stochastic pricing model involving six variables: share price, exercise price, expected term, expected dividend yield, expected volatility and risk free interest rate. No such options have been issued for the 3 months ended 31 December 2013. The values assigned to the variables when calculating the fair value of shares awarded have been shown on the following page.

	30 September	
	2013	2012
Share price	21.8p	10.5p
Exercise price	2p	2p
Expected term	3 years	3 years
Expected dividend yield	0.00%	0.00%
Expected volatility	36.60%	36.60%
Risk free interest rate	0.55%	0.53%

This value is charged to the consolidated statement of comprehensive income over the vesting period. The charge to the consolidated statement of comprehensive income was £191,000 (2013: £406,000, 2012: £337,000, 2011: £196,000).

The Company has established the Terrace Hill Group plc Employee Benefit Trust (the Trust) to be used as part of the remuneration arrangements for employees. The purpose of the Trust is to facilitate the ownership of shares by or for the benefit of employees by the acquisition and distribution of shares in the Company. The Trust purchases shares in the company to satisfy the company's obligations under its share-based payment plans.

On 31 December 2013 the Trust held 1,020,000 (2013: 1,020,000, 2012: 1,020,000, 2011: 1,020,000) ordinary 2 pence shares in Terrace Hill Group at a cost of £609,000 (2013: £609,000, 2012: £609,000, 2011: £609,000). On that date outstanding awards over 13,276,581 (2013: 13,276,581, 2012: 17,322,937, 2011: 17,322,937) ordinary 2 pence shares in Terrace Hill Group had been made under the share-based payment plan.

24. Leases

Operating lease commitments where the Terrace Hill Group is the lessee

The future aggregate minimum lease rentals payable under non-cancellable operating leases are as follows:

	<i>Land and buildings at 31 December</i>		<i>Land and buildings as at 30 September</i>	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
In one year or less	1,347	1,347	1,357	1,338
Between two and five years	5,216	5,325	5,399	5,331
In five years or more	2,603	2,834	4,117	5,409
	<u>9,166</u>	<u>9,506</u>	<u>10,873</u>	<u>12,078</u>

Operating lease commitments where the Terrace Hill Group is the lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	<i>Land and buildings at 31 December</i>		<i>Land and buildings as at 30 September</i>	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
In one year or less	1,369	1,378	1,668	1,608
Between two and five years	5,233	5,374	5,625	5,601
In five years or more	1,834	3,398	4,732	6,071
	<u>8,436</u>	<u>10,150</u>	<u>12,025</u>	<u>13,280</u>

25. Related party transactions

The key management personnel of the Terrace Hill Group are its board of directors and details of their remuneration are shown in note 6.

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

	<i>31 December</i>		<i>30 September</i>	
	2013	2013	2012	2011
	£'000	£'000	£'000	£'000
Castlegate House Partnership	5	18	18	18
Terrace Hill Residential PLC	–	16	340	168
Devcap 2 Partnership	5	20	20	20
Howick Place Office S.à. r.l.	75	–	231	297
Two Orchard Limited	–	–	–	18
Skye Investments Limited	–	–	–	15
Achadonn Limited	–	–	20	40

Included in interest receivable for the year are amounts charged to the following partners and associates:

Devcap 2 Partnership	33	430	–	111
Achadonn Limited	19	73	54	59
	<u>52</u>	<u>503</u>	<u>54</u>	<u>170</u>

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

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Castlegate House Partnership	678	678	678	678
Terrace Hill residential PLC	19,143	19,143	14,943	14,943
Devcap 2 Partnership	5,188	5,188	5,188	5,188
Two Orchards Limited (in administration)	5,000	5,000	5,000	5,000
Achadonn Limited	2,936	2,888	2,796	2,570
	<u>32,945</u>	<u>32,897</u>	<u>28,605</u>	<u>28,379</u>

All amounts are due to Terrace Hill Group subsidiary companies, excluding an amount of £4.2 million from Terrace Hill Residential PLC due to Terrace Hill Group plc.

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

The relationship with the partnerships is disclosed in note 13.

Terrace Hill Residential PLC

As stated in note 13 the Terrace Hill Group has accounted for its 49 per cent. share of Terrace Hill Residential PLC as an associate company. Of the other 51 per cent. shareholding in that company, 49 per cent. is held by the Skye Investments group and 2 per cent. by R F M Adair. Skye Investments Limited is a company ultimately owned by family trusts for the benefit of R F M Adair and family. As part of the security arrangements for the financing of a residential investment property portfolio by Terrace Hill Residential PLC, Skye Investments Limited had given a guarantee for £20.0 million. Skye Investments Limited and R F M Adair also advanced to Terrace Hill Residential PLC £15.8 million (2013: £15.5 million, 2012: £15.8 million, 2011: 15.8 million) by way of shareholder loans to assist in the funding of the acquisition and the ongoing working capital requirements of the associate. The Terrace Hill Group agreed a fee of 4.41 per cent. per annum on £5.0 million (being the amount by which the Skye Investments Limited guarantee exceeded the guarantee provided by the Terrace Hill Group), which is accrued in the Terrace Hill Group accounts. The charge for the three months ended 31 December 2013 was £nil (2013: £0.2 million, 2012: £0.2 million, 2011: £0.2 million) and the total accrued at the year ended 31 December 2013 was £0.5 million (2013: £0.7 million, 2012: £0.5 million, 2011: £0.3 million). Following the discharge of the security guarantees as noted below, interest on the guarantee fee has ceased to accrue under this agreement.

During the year ended 30 September 2013 Terrace Hill Residential PLC sold the majority of its residential investment portfolio to third parties with a small portfolio sold to one of the Terrace Hill Group's subsidiaries. The assets were transferred to the Terrace Hill Group at market value of £5.3 million. In consideration for Skye Investments Limited's agreement for the acquisition of the properties from Terrace Hill Residential PLC, Skye Investments Limited have agreed to share the profits or losses on the sale of these assets to a third party. At the period end £0.1 million had been paid and £0.1 million has been accrued in a subsidiary company regarding this share of profits.

	<i>31 December</i>		<i>30 September</i>	
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Guarantee given by Terrace Hill Group plc	–	–	15,000	15,000
Terrace Hill Group plc shareholder loans	19,143	19,143	14,943	14,943
Guarantee given by Skye Investments Limited	–	–	20,000	20,000
Skye Investments Limited shareholder loans	15,800	15,800	15,800	15,800
Interest accrued on Skye Investment guarantee in excess of that given by Terrace Hill Group plc	500	700	500	300
Interest charge on Skye Investment guarantee in excess of that given by Terrace Hill Group plc	–	200	200	200
	<u>–</u>	<u>200</u>	<u>200</u>	<u>200</u>

26. Controlling party

The Terrace Hill Group was controlled throughout the year by family trusts in which R F M Adair has an interest.

PART 18

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE TERRACE HILL GROUP

Overview

Part 1 of Section A of this Part 18 is an unaudited pro forma statement of net assets as at 31 December 2013 that has been prepared to illustrate the effect of the Acquisition, the Placing and the Rugby Acquisition on the net assets of the Terrace Hill Group as if the Acquisition, the Placing and the Rugby Acquisition had occurred on 31 December 2013.

Part 2 of Section A of this Part 18 is an unaudited pro forma statement of comprehensive income for the year ended 30 September 2013 that has been prepared to illustrate the effect of the Acquisition, the Placing and the Rugby Acquisition on the consolidated statement of comprehensive income of the Terrace Hill Group as if the Acquisition, the Placing and the Rugby Acquisition had occurred on 1 October 2012.

Section B of this Part 18 sets out the opinion from BDO on the unaudited pro forma financial information contained in Section A.

The pro forma financial information is based on the consolidated statement of comprehensive income for the year ended 30 September 2013 and the net assets as at 31 December 2013 of the Terrace Hill Group, set out in the financial information of the Terrace Hill Group for the year ended 30 September 2013 and the three month period ended 31 December 2013 respectively, set out in Part 17 of this document, and has been prepared in a manner consistent with the accounting policies adopted by the Terrace Hill Group in preparing such information and on the basis set out in the notes in Section A.

Section A

Part 1 – Unaudited pro forma statement of net assets of the Enlarged Group

The unaudited pro forma statement of net assets set out below has been prepared to illustrate the effect of the Acquisition, the Placing and the Rugby Acquisition on the consolidated net assets of the Terrace Hill Group as if the Acquisition, the Placing and the Rugby Acquisition had occurred on 31 December 2013. This unaudited pro forma statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Enlarged Group's actual financial position or results.

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

	<i>Adjustments</i>						
	<i>The Terrace Hill Group as at 31 December 2013</i> <i>(note 1, 7)</i> <i>£m</i>	<i>Urban&Civic as at 31 December 2013</i> <i>(note 2, 7)</i> <i>£m</i>	<i>Conversion of Urban&Civic PECs to equity</i> <i>(note 3)</i> <i>£m</i>	<i>Acquisition of Urban&Civic</i> <i>(note 4)</i> <i>£m</i>	<i>Net Placing proceeds</i> <i>(note 5)</i> <i>£m</i>	<i>Rugby</i> <i>(note 6)</i> <i>£m</i>	
Assets							
Non-current assets							
Investment properties	–	55.5	–	–	–	–	55.5
Property, plant and equipment	0.1	–	–	–	–	–	0.1
Investments in equity accounted associates and joint venture	1.0	–	–	–	–	16.7	17.7
Other investments	4.3	–	–	–	–	–	4.3
Intangible assets	2.4	–	–	(2.4)	–	–	–
Deferred tax assets	5.4	–	–	–	–	–	5.4
	<u>13.2</u>	<u>55.5</u>	<u>–</u>	<u>(2.4)</u>	<u>–</u>	<u>16.7</u>	<u>83.0</u>
Current assets							
Trading properties	0.1	45.6	–	–	–	–	45.7
Development properties	54.7	–	–	–	–	–	54.7
Trade and other receivables	11.8	1.5	–	–	–	–	13.3
Cash and cash equivalents	7.6	1.2	5.0	–	161.2	(16.7)	158.3
	<u>74.2</u>	<u>48.3</u>	<u>5.0</u>	<u>–</u>	<u>161.2</u>	<u>(16.7)</u>	<u>272.0</u>
Total assets	<u>87.4</u>	<u>103.8</u>	<u>5.0</u>	<u>(2.4)</u>	<u>161.2</u>	<u>–</u>	<u>355.0</u>
Liabilities							
Non-current liabilities							
Bank loans and borrowings	(17.9)	(80.7)	71.4	–	–	–	(27.2)
Other payables – guarantee	–	–	–	–	–	–	–
Deferred tax liabilities	(0.7)	–	–	–	–	–	(0.7)
	<u>(18.6)</u>	<u>(80.7)</u>	<u>71.4</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(27.9)</u>
Current liabilities							
Trade and other payables	(8.6)	(2.4)	–	–	–	–	(11.0)
Current tax liabilities	(3.0)	–	–	–	–	–	(3.0)
Bank overdrafts and loans	(5.1)	–	–	–	–	–	(5.1)
	<u>(16.7)</u>	<u>(2.4)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(19.1)</u>
Total liabilities	<u>(35.3)</u>	<u>(83.1)</u>	<u>71.4</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(47.0)</u>
Net assets	<u>52.1</u>	<u>20.7</u>	<u>76.4</u>	<u>(2.4)</u>	<u>161.2</u>	<u>–</u>	<u>308.0</u>

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

1. The consolidated net assets of the Terrace Hill Group at 31 December 2013 have been extracted, without material adjustment, from the audited consolidated financial information of the Terrace Hill Group for the three month period ended 31 December 2013 as set out in Part 17 of this document.
2. The consolidated net assets of Urban&Civic at 31 December 2013 have been extracted, without material adjustment from the audited consolidated financial information of Urban&Civic for the year ended 31 December 2013 as set out in Part 16 of this document.
3. As part of the Acquisition, the existing Preferential Equity Certificates (PECs) in Urban&Civic at 31 December 2013 of £71.4 million will be acquired by the Terrace Hill Group, as further described in paragraph 16.1.4 of Part 20 of this document. As a result, the debt will be eliminated upon consolidation within the Enlarged Group's financial statements. No adjustment to net assets is required in respect of the £6.5 million capitalised interest during the period as the properties were held at fair value before being transferred to investment properties held for sale. Therefore, any reduction in costs would be offset by an equal increase in the gain on revaluation for the associated properties.

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

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

The estimated consideration payable by Terrace Hill to Urban&Civic's shareholders will be satisfied wholly by the issue of 43.1 million Consolidated Ordinary Shares. The consideration for reverse accounting purposes is considered to be Terrace Hill's 212 million existing Ordinary Shares in issue at 22.13 pence per share, being the middle market closing price of an Ordinary Share on the Latest Practicable Date. The share consideration is therefore valued at £46.9 million.

As the value of the consideration is lower than the book value of the Terrace Hill Group's assets at 31 December 2013, after removing the pre-existing intangible asset, an estimated gain on bargain purchase arises on completion of the Acquisition of £2.8 million. The gain on bargain purchase is accounted for through the income statement and has no impact on the pro forma statement of net assets. The gain on bargain purchase is calculated as follows:

	<i>£m</i>
Consideration (Terrace Hill's issued share capital of 212 million Ordinary Shares at a price of 22.13 pence per share)	(46.9)
The Terrace Hill Group's existing assets at 31 December 2013	52.1
Less pre-existing intangible	(2.4)
	<hr/>
Gain on bargain purchase arising	2.8
	<hr/> <hr/>

For the purposes of this pro forma information, no adjustment has been made to the separate assets and liabilities of the Terrace Hill Group to reflect their respective fair values. The net assets of the Terrace Hill Group will be subject to a fair value restatement as at the effective date of the Acquisition. An adjustment has been made to remove the pre-existing intangible asset of £2.4 million, which relates to existing goodwill within the Terrace Hill Group.

5. Gross proceeds from the Placing raising £170 million less the estimated total costs and expenses of £8.8 million incidental to the Proposals as discussed in further detail in paragraph 20 of Part 20 of this document.
6. Urban&Civic has entered into the Rugby Acquisition Agreement to acquire a 50 per cent. interest in Rugby for £16.7 million (before acquisition costs), as further described in paragraph 16.2.1 of Part 20 of this document. It is expected that Urban&Civic will complete the Rugby Acquisition Agreement post Admission. The Rugby site has been valued at £27.5 million, as described in Part 19 of this document. No adjustment has been made to reflect the uplift in valuation in Urban&Civic's 50 per cent. interest in Rugby.
7. No account has been taken of the financial performance of the Terrace Hill Group or Urban&Civic since 31 December 2013, nor of any other event save as disclosed above.

Part 2 – Unaudited pro forma statement of comprehensive income of the Enlarged Group

The unaudited pro forma statement of comprehensive income set out below has been prepared to illustrate the effect of the Acquisition, the Placing and the Rugby Acquisition on the consolidated statement of comprehensive income of the Terrace Hill Group as if the Acquisition, the Placing and the Rugby Acquisition as if it had occurred on 1 October 2012. This unaudited pro forma statement has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not reflect the Enlarged Group's actual financial position or results.

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

	<i>Adjustments</i>					<i>Enlarged Group pro forma Comprehensive Income (note 6)</i>
	<i>Comprehensive Income for the Terrace Hill Group for the year ended 30 September 2013 (note 1, 7, 8)</i>	<i>Comprehensive Income for Urban&Civic for the year ended 31 December 2013 (note 2, 7, 8)</i>	<i>Conversion of Urban&Civic PECs to equity (note 3)</i>	<i>Acquisition of Urban&Civic (note 4)</i>	<i>Transaction costs (note 5)</i>	
	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>	<i>£m</i>
Revenue	48.5	2.9	–	–	–	51.4
Direct costs	(35.9)	(1.6)	–	–	–	(37.5)
Gross (loss)/profit	12.6	1.3	–	–	–	13.9
Administrative expenses	(6.1)	(1.1)	–	–	(5.3)	(12.5)
On revaluation of investment properties	–	31.0	6.5	–	–	37.5
Gains on bargain purchase	–	–	–	2.8	–	2.8
Operating profit/(loss)	6.5	31.2	6.5	2.8	(5.3)	41.7
Finance income	0.2	–	–	–	–	0.2
Finance costs	(1.1)	(2.5)	2.3	–	–	(1.3)
Profit/(loss) before tax	5.6	28.7	8.8	2.8	(5.3)	40.6
Tax	(1.3)	(0.2)	–	–	–	(1.5)
Profit/(loss) from continuing operations	4.3	28.5	8.8	2.8	(5.3)	39.1
Profit/(loss) from discontinued operations	0.6	–	–	–	–	0.6
Total comprehensive (loss)/income	4.9	28.5	8.8	2.8	(5.3)	39.7

	<i>Adjustments</i>					
<i>Comprehensive Income for the Terrace Hill Group for the year ended 30 September 2013 (note 1, 7, 8) £m</i>	<i>Comprehensive Income for Urban&Civic for the year ended 31 December 2013 (note 2, 7, 8) £m</i>	<i>Conversion of Urban&Civic PECs to equity (note 3) £m</i>	<i>Acquisition of Urban&Civic (note 4) £m</i>	<i>Transaction costs (note 5) £m</i>	<i>Enlarged Group pro forma Comprehensive Income (note 6) £m</i>	
Profit/(loss) attributable to:						
Equity holders of the parent from continuing operations	4.3	28.5	8.8	2.8	(5.3)	39.1
Equity holders of the parent from discontinued operations	0.6	–	–	–	–	0.6
	4.9	28.5	8.8	2.8	(5.3)	39.7
Total comprehensive (loss)/income attributable to:						
Equity holders of the parent from continuing operations	4.3	28.5	8.8	2.8	(5.3)	39.1
Equity holders of the parent from discontinued operations	0.6	–	–	–	–	0.6
	4.9	28.5	8.8	2.8	(5.3)	39.7

Notes to the unaudited pro forma statement of comprehensive income for the Enlarged Group:

- The consolidated comprehensive income of the Terrace Hill Group for the year ended 30 September 2013 has been extracted, without material adjustment, from the audited consolidated historical financial information of Terrace Hill Group, as set out in Part 17 of this document.
- The consolidated comprehensive income of Urban&Civic for the year ended 31 December 2013 has been extracted, without material adjustment, from the audited consolidated historical financial information of Urban&Civic as set out in Part 16 of this document.
- As part of the Acquisition, the existing Preferential Equity Certificates (PECs) in Urban&Civic at 31 December 2013 of £71.4 million will be acquired by the Terrace Hill Group, as further described in paragraph 16.1.4 of Part 20 of this document. As a result, the debt will be eliminated upon consolidation within the Enlarged Group's financial statements. The PECs had £8.8 million of gross interest for the year ended 31 December 2013 and £6.5 million of capitalised interest in the year ended 31 December 2013, which has been capitalised as part of investment properties. The effect of this has been reversed from the comprehensive income statement for the year ended 31 December 2013, resulting in a reduction in finance costs of £2.3 million and an increase in the gain upon valuation of investment properties of £6.5 million.
- The Acquisition will be treated as a reverse acquisition in accordance with IFRS3 (revised) 'Business Combinations'. Accordingly, for accounting purposes, Urban&Civic will be treated as the acquirer and the Terrace Hill Group will be the target.

The estimated consideration payable by Terrace Hill to Urban&Civic's shareholders will be satisfied wholly by the issue of 43.1 million Consolidated Ordinary Shares. The consideration for reverse accounting purposes is considered to be Terrace Hill's 212 million existing Ordinary Shares in issue at 22.13 pence per share, being the middle market closing price of an Ordinary Share on the Latest Practicable Date. The share consideration is therefore valued at £46.9 million.

As the value of the consideration is lower than the book value of the Terrace Hill Group's assets at 31 December 2013, after removing the pre-existing intangible asset, an estimated gain on bargain purchase arises on completion of the Acquisition of £2.8 million. The gain on bargain purchase is accounted for through the statement of comprehensive income and has no impact on the pro forma statement of net assets.

- As a result of the Proposals, the Enlarged Group will incur transaction costs of £8.8 million, of which £5.3 million is not directly attributable to the Placing. These costs have been included in the Enlarged Group's pro forma statement of comprehensive income as an expense.
- No account has been taken of the effects of any synergies, or of the costs for measures taken to achieve those synergies, that may have arisen had the Acquisition occurred on 1 October 2012 and that may subsequently have affected the comprehensive income of the Enlarged Group in the year ended 30 September 2013.
- No account has been taken of the effect on the pro forma statement of comprehensive income for the year ended 30 September 2013 of the amortisation of fair value adjustments and intangible assets that may have been recognised following the Acquisition had the Acquisition occurred on 1 October 2012, or of any other fair value adjustments which may arise on the Acquisition.
- No account has been taken of any trading or transactions of the Terrace Hill Group since 30 September 2013 or for Urban&Civic since 31 December 2013.

Section B: Accountant's report on unaudited pro forma financial information



BDO LLP
55 Baker Street
London
W1U 7EU

The Directors and the Proposed Directors
Terrace Hill Group plc
1 Portland Place
London
W1B 1PN

28 April 2014

Oriel Securities Limited
150 Cheapside
London
EC2V 6ET

J.P. Morgan Securities plc
25 Bank Street
London
E14 5JP

Dear Sirs

Terrace Hill Group plc (the "Company")

Pro forma financial information: proposed acquisition of Urban&Civic Holdings S.à. r.l. and placing of shares and admission to the standard listing segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange

We report on the unaudited pro forma statement of net assets and income statement (the "Pro Forma Financial Information") set out in Part 18 of the prospectus dated 28 April 2014 (the "Prospectus") which has been prepared on the basis described in the notes to Part 1 and Part 2 of Section A, for illustrative purposes only, to provide information about how the proposed (i) acquisition of Urban&Civic Holdings S.à.r.l. ("Urban&Civic") (the "Acquisition"); (ii) placing of shares and admission of the entire issued and to be issued ordinary share capital of the Company to the standard listing segment of the Official List and to trading on the Main Market for listed securities of the London Stock Exchange ("Admission"); and (iii) acquisition by Urban&Civic of the Sustainable Urban Expansion site in Rugby (together, the "Transaction") might have affected the financial information presented on the basis of accounting policies to be adopted by the Company in preparing the financial statements for the year ending 30 September 2014.

This report is required by item 20.2 of annex I of the Commission Regulation (EC) No. 809/2004 (the "PD Regulation") and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro Forma Financial Information in accordance with item 20.2 of Annex I of the PD Regulation.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the PD Regulation, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by the law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of annex I of the PD Regulation consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the Directors.

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions outside the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of annex I of the PD Regulation.

Yours faithfully

BDO LLP

Chartered Accountants

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

PART 19

PROPERTY VALUATION REPORT

VALUATION REPORT

Report Date	28 April 2014
Addressees	Urban&Civic Holdings S.à.r.l. ("Urban&Civic") 40 Avenue Monterey L-2163 Luxembourg and Terrace Hill Group plc ("Terrace Hill") 1 Portland Place London W1B 1PN and J.P Morgan Securities plc 25 Bank Street London E14 5JP and Oriol Securities Limited 150 Cheapside London EC2V 6ET
The Properties	As listed in the Schedule of Capital Values below.
Instruction	To value on the basis of the freehold Properties which are or will be owned by a subsidiary of Urban&Civic as at the valuation date in accordance with our Terms of Engagement letter dated 24 April 2014.
Valuation Date	31 December 2013 in respect of Alconbury Weald and 9 January 2014 in respect of Rugby.
Capacity of Valuer	External and an independent expert for the purposes of paragraph 130(i) of ESMA's recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses No. 809/2004 (the "ESMA Recommendations").
Purpose of Valuation	We understand that this valuation report and schedule of capital values (the "Valuation Report") are required firstly, to confirm to the Directors and Proposed Directors of Terrace Hill the current Market Value of the Properties in accordance with Prospectus Rule 5.6.5 and secondly, for inclusion in a prospectus to be published by Terrace Hill in relation to the proposed listing of Terrace Hill's entire ordinary share capital on the

www.cbre.co.uk

Registered in England No 3536032

Registered Office St Martin's Court 110 Paternoster Row London EC4M 7HG



CBRE Limited is regulated by the RICS and is an appointed representative of CBRE Indirect Investment Services Limited which is authorised and regulated by the Financial Conduct Authority.



standard listing segment of the Official List of the FCA and admission to trading on the London Stock Exchange's Main Market for listed securities (the "Prospectus"), which investors will rely on in making their decision to invest in Terrace Hill.

Market Value

£128.5 million exclusive of VAT, as shown in the Schedule of Capital Values set out below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

The Properties are valued in their current state with the benefit of the existing resolutions to grant planning permission.

Our opinion is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

Compliance with Valuation Standards

We confirm that the valuations have been prepared in accordance with the RICS Valuation – Professional Standards January 2014 ("the Red Book"), together with the Listing Rules and Prospectus Rules published by the FCA and ESMA Recommendations.

We confirm that we have sufficient current local and national knowledge of the particular property market involved, and have the skills and understanding to undertake the valuations competently.

Where the knowledge and skill requirements of the Red Book have been met in aggregate by more than one valuer within CBRE Limited, we confirm that a list of those valuers has been retained within the working papers, together with confirmation that each named valuer complies with the requirements of the Red Book.

Assumptions

The Properties' details on which each valuation is based are as set out in this report. Urban&Civic has confirmed that they have made available to us and we may rely on, all material information which is likely to impact on value.

We have set out below our comments as to tenure, lettings, town planning, and the condition and repair of buildings and sites, including ground and ground water conditions.

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

Variation from standard Assumptions

None.

Valuer

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the Red Book.

Independence

The total fees, including the fee for this assignment, earned by CBRE Ltd (or other companies forming part of the same group of companies within the UK) from the Addressees (or other companies forming part of the same group of companies) is less than 5.0 per cent. of the total UK revenues. It is not anticipated that this will vary in the financial year to 31 December 2014.

Conflicts of Interest

We confirm that we have had no previous material involvement with Alconbury Weald but we confirm that CBRE valued the Rugby property in December 2012 on behalf of the current owners, a joint venture partnership between AVIVA and BT. We confirm that we have received approval from the partnership to value the property on your behalf.

We also confirm we do not have any material interest in Urban&Civic, Terrace Hill or the Properties.

Responsibility

For the purpose of Prospectus Rule 5.5.3(R) (2) (f), we are responsible for this Valuation Report and we accept responsibility for the information contained in this Valuation Report and confirm that to the best of our knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Valuation Report is in accordance with the facts and contains no omissions likely to affect its import. The Valuation Report complies with Prospectus Rule 5.6.5 of the Prospectus Rules and paragraphs 128 to 130 of the ESMA Recommendations.

Publication

Neither the whole nor any part of this Valuation Report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Such publication of, or reference to this report will not be permitted unless it contains a sufficient contemporaneous reference to any departure from the RICS Valuation – Professional Standards January 2014 or the incorporation of the special assumptions referred to herein.

CBRE has given and not withdrawn its written consent to the inclusion of this Valuation Report in this Prospectus.

Yours faithfully

MICHAEL BRODTMAN FRICS
EXECUTIVE DIRECTOR
RICS Registered Valuer
For and on behalf of CBRE Ltd

RUPERT DRIVER MRICS
DIRECTOR
RICS Registered Valuer
For and on behalf of CBRE Ltd

SCHEDULE OF CAPITAL VALUES

Property	Summary	Total
VALUATION AS AT 31 DECEMBER 2013		
Alconbury Weald, Alconbury, Cambridgeshire	<p>Alconbury Weald, “the property”, comprises two adjoining sites*£101,000,000 ‘Alconbury Airfield’ and ‘Grange Farm’, which in total extend to approximately 580 hectares (1,432 acres). The property is held freehold.</p> <p>Alconbury Airfield extends to approximately 1,086 acres and Grange Farm extends to approximately 345 acres. Approximately 150 hectares (370.6 acres) of land is already designated as an Enterprise Zone. This was granted in 2011 for 25 years.</p> <p>Alconbury Airfield was a former military airfield that was operational from 1938 to 1995. The airfield is bisected by its central runway, which is approximately 3 km in length. Grange Farm comprises a greenfield site comprising agricultural land.</p> <p>There are over 100 separate buildings on the Alconbury Airfield site, with numerous buildings associated with the site’s former military use. These include hangars, control centres, offices, huts and storage facilities. The existing buildings on the Alconbury Airfield site total approximately 1.4 million sq. ft. (GIA).</p> <p>On the 9 December 2013, Huntingdon District Council resolved to grant outline planning consent for the redevelopment of the site with a residential led mixed use scheme called Alconbury Weald comprising 5,000 dwellings and approximately 3 million sq. ft. of B1, B2 employment space, together with open space and community uses.</p>	£101,000,000
VALUATION AS AT 9 JANUARY 2014		
Sustainable Urban Extension, Rugby Radio Station, A5 Watling Street, Clifton Upon Dunmore, Rugby Warwickshire	<p>We understand that SUE Developments Limited Partnership (“SUE LP”, **£27,500,000 of which Urban&Civic has a 50 per cent. interest) has entered into a conditional agreement with Rugby Radio Station Limited Partnership (“RRSLP”) to purchase and take an assignment over the majority of the freehold of the Sustainable Urban Extension (“SUE”) site in Rugby, which extends to approximately 1,168 acres, although approximately seven acres comprises existing roads, canals and other non-material parcels of land which are not required for the proposed development. In summary, the total area required for the proposed development extends to approximately 1,161 acres. As at 9 January 2014, being the date of valuation, RRSLP owns the freehold interest of approximately 947 acres of land within the SUE site but does not have ownership of the SUE site in its entirety. RRSLP has control over a further 104 acres by way of option agreements, which have not yet been exercised. RRSLP or (if after completion, SUE LP) also intends to obtain the rights to acquire the balance of the site (approximately 110 acres at the date of valuation) which is currently held in third party ownership.***</p> <p>For clarity, the SUE forms part of the wider Rugby Radio Station site, which extends to approximately 1,674 acres which also includes the Daventry International Rail Freight Terminal (“DIRFT”) III site. The Rugby Radio Station site in its entirety is currently owned by RRLSP, which is a 50:50 partnership between BT and Aviva.</p> <p>On 9 January 2014 Rugby Borough Council resolved to grant outline planning consent for the redevelopment of the SUE with a residential led mixed use scheme comprising 6,200 dwellings together with up to 12,000 sq. m. retail (A1); up to 3,500 sq. m. financial services (A2) and restaurants (A3-A5); up to 3,500 sq. m. for a hotel (C1); up to 2,900 sq. m. of community uses (D1); up to 3,100 sq. m. assembly and leisure uses (D2); and 31 hectares (up to 106,000 sq. m.) of commercial and employment space (B1, B2 and B8) and ancillary facilities.</p>	£27,500,000
Total		£128,500,000

*For clarity, the reported valuation figure represents the 100 per cent. interest in the freehold at Alconbury Weald.

**For clarity, the reported valuation figure represents the 50 per cent. interest in the freehold at the SUE site.

***Since the date of valuation, 26 acres of the land under option has been acquired following the exercise of an option agreement with Davies and an additional 67 acres of third party land is now under control by way of an option will Allan.

SCOPE OF WORK & SOURCES OF INFORMATION

Sources of Information: Alconbury Weald

We have carried out our work based upon the following information supplied, which we have assumed to be correct and comprehensive.

- Confirmation of land uses and net developable acreage for the masterplan, prepared by David Lock Associates.
- Environmental reports prepared by Environ in respect the Alconbury Airfield site and Grange Farm, dated October 2009 and February 2011, respectively.
- We have also been provided with a copy of the Environment Review prepared by Environ dated February 2014, in respect of both sites.
- Alconbury Weald Cost Plan Framework (no.11 Version 2), prepared by Davis Langdon and dated 25 February 2014.
- Report on Title – relating to the Airfield Site, Reservoir, and Smith Land, prepared by Nabarro LLP and dated 30 October 2009.
- Short Form Report on Title – relating to Alconbury Airfield, Smith Land and Grange Farm, prepared by Nabarro LLP and dated 25 January 2013.
- A copy of the draft Section 106 Agreement (undated), prepared by Mills & Reeve LLP.

Sources of Information: Rugby

We have carried out our work based upon the following information supplied, which we have assumed to be correct and comprehensive.

- Confirmation of land uses and net developable acreage for the masterplan, prepared by David Lock Associates.
- Red Flag Environment report prepared by Environ and dated 3 March 2014.
- Schedule of infrastructure and Section 106 costs (Version 24) prepared by Gardiner and Theobald and dated 24 February 2014.
- Draft heads of terms for the Section 106 Agreement.
- Real Estate Report prepared by Nabarro LLP dated 25 April 2014.

The Properties

Our report contains a brief summary of the property details on which our valuation has been based.

Inspections

We externally inspected the Alconbury Weald site on 10 May 2013; and externally inspected the Rugby site on 15 November 2013.

Areas

We have not measured the existing buildings onsite and we have relied upon the floor areas provided by Urban&Civic.

Environmental Matters

Alconbury Weald – We have been provided with a copy of the Phase I Environmental Review Report prepared by Environ dated 25 February 2014.

Rugby – We have been provided with a copy of the Red Flag Environmental Report prepared by Environ dated March 2014.

We have not carried out any investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

Repair and Condition

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

Town Planning

We have not undertaken detailed planning enquiries. We understand that both properties have the benefit of a resolution to grant planning consent but we have not been provided with copies of the committee reports.

Titles, Tenures and Lettings

Alconbury Weald – We have been provided with a copy of the Report on Title prepared by Nabarro LLP dated 30 October 2009, and the Short Form Title Report dated 25 January 2013.

Rugby – We have been provided with a copy of the Real Estate Report prepared by Nabarro LLP dated 25 April 2014.

Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

STANDARD VALUATION ASSUMPTIONS

Capital Values

Each valuation has been prepared on the basis of "Market Value", which is defined as:

"The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

The valuation represents the figure that would appear in a hypothetical contract of sale at the valuation date. No adjustment has been made to this figure for any expenses of acquisition or realisation – nor for taxation which might arise in the event of a disposal.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charge.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

Rental Values

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.

The Property

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

Environmental Matters

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities;
- (c) the Properties possess current Energy Performance Certificates ("EPCs") as required under the Government's Energy Performance of Buildings Directive, and that they have an energy efficient standard of 'E', or better. We would draw your attention to the fact that the Energy Act 2011 is due to come into force in England and Wales no later than 1 April 2018 (although it may be earlier), and in Scotland, no earlier than April 2015. From such date, it will be unlawful for landlords to rent out a residential or business premise unless they have reached a minimum energy efficient standard – most likely, 'E' – or carried out the maximum package of measures funded under the 'Green Deal' or the Energy Company Obligation ("ECO"); and
- (d) the Properties are either not subject to flooding risk or, if they are, that sufficient flood defences are in place and that appropriate building insurance could be obtained at a cost that would not materially affect the capital value.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board ("NRPB") has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

Repair and Condition

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;
- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of uninspected

parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Lettings,
Planning, Taxation and
Statutory & Local Authority
requirements**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for occupiers of each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;
- (j) where more than 50 per cent. of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted;
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required;
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy; and
- (m) stamp duty land tax ("SDLT") will apply at the rate currently applicable in the UK. However, we would draw your attention to the fact that in Scotland, SDLT will be replaced by a Land and Buildings Transaction Tax ("LABTT") with effect from 1 April 2015. In advance of the rates and tax bands being set for LABTT, we have assumed that they will be the same as for SDLT.

PART 20

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Company, the Directors and the Proposed Directors, whose names appear on page 38 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and those directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. THE COMPANY, ITS SHARE CAPITAL AND SUBSIDIARIES

2.1 The Company

2.1.1 The Company was incorporated and registered in Scotland on 16 March 1994 under the Companies Act 1985 as a private company limited by shares with the name Park Circus Limited and registered number SC149799.

2.1.2 On 4 October 1994, the Company changed its name to Neill Clerk Group Limited. On 31 October 1994, the Company was re-registered as a public limited company and changed its name to Neill Clerk Group plc.

2.1.3 On 22 December 1998 the Company changed its name to Property & Capital Group plc. On 25 May 2000 the Company changed its name to Capitaltech Plc and on 23 September 2002 it changed its name to Terrace Hill Group plc.

2.1.4 The registered office of the Company is at 4th Floor, 115 George Street, Edinburgh EH2 4JN.

2.1.5 The principal place of business of the Company is at 1 Portland Place, London W1B 1PN where the telephone number is +44 (0)20 7631 1666.

2.1.6 The principal legislation under which the Company operates is the Act and the regulations made under that Act.

2.1.7 The principal activity of the Terrace Hill Group is property development.

2.2 Share capital

2.2.1 The Company has an authorised share capital of ten million eight hundred and sixty thousand pounds (£10,860,000) divided into 500,000,000 ordinary shares of two pence (£0.02) each, 200,000 cumulative 8 per cent. redeemable preference shares of one pound (£1.00) each, 44,859 convertible shares of twenty pence (£0.20) each and 32,551,410 deferred shares of two pence (£0.02) each, of which one ordinary share was issued fully paid to each of the two subscribers to the Company's memorandum of association.

2.2.2 There have been no changes to the share capital of the Company between 1 January 2011 and the Latest Practicable Date.

2.2.3 During the period from 1 January 2011 to the Latest Practicable Date, no Ordinary Shares were issued for cash.

2.2.4 At the annual general meeting of the Company held on 27 February 2014, Shareholders authorised the Company to purchase up to 21,197,129 Existing Ordinary Shares in the market for not less per share than the nominal value of an Existing Ordinary Share. The Company has not purchased any Existing Ordinary Shares pursuant to this authority.

2.2.5 As at the Latest Practicable Date, the authorised and issued share capital of the Company is:

<i>Class of shares</i>	<i>Nominal value per share</i>		<i>Authorised share capital</i>
		£	<i>Number</i>
Ordinary Shares	£0.02	10,000,000	500,000,000
Cumulative 8 per cent. redeemable Preference Shares	£1.00	200,000	200,000
Convertible Shares	£0.20	8,971.80	44,859
Deferred Shares	£0.02	651,028.20	32,551,410

<i>Class of shares</i>	<i>Nominal value per share</i>		<i>Issued⁽ⁱ⁾ share capital</i>
		£	<i>Number</i>
Ordinary Shares	£0.02	4,239,425.98	211,971,299

(i) All fully paid.

2.2.6 Following the issue of the Consideration Shares, the Placing Shares and the Employee Shares and after the Share Consolidation, the issued (fully paid) share capital of the Company will be £28,333,249.20 divided into 141,666,246 Consolidated Ordinary Shares.

2.2.7 Other than as disclosed in this document, there are no Ordinary Shares held by or on behalf of the Company itself or by any of its subsidiaries.

2.2.8 Save for the options granted by the Company (details of which are set out in paragraph 9 of this Part 20), the Company has not issued any convertible securities, exchangeable securities or securities with warrants.

2.2.9 By an ordinary resolution of the Company passed on 27 February 2014, in substitution for all existing authorities, the directors of the Company were generally and unconditionally authorised, in accordance with section 551 of the Act, to exercise all powers of the Company to allot shares in the Company and grant rights to subscribe for, or convert any security into, shares in the Company up to an aggregate nominal amount of £1,413,141 and, in addition, £1,413,141 in connection with the rights issue. Such authority shall expire on 31 March 2015 or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted after the authority ends.

2.2.10 The provisions of section 561 of the Act (to the extent not dis-applied as referred to in this paragraph) confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in section 560 of the Act) which are, or are to be, paid up fully in cash. However, by a special resolution of the Company passed on 27 February 2014, the directors of the Company have been authorised to allot equity securities wholly for cash as if section 561(1) of the Act did not apply to such allotment. The power is limited to the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of Shareholders and otherwise to the allotment of equity securities up to an aggregate nominal value of £423,442. Such authority shall expire on 31 March 2015 or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after the authority ends.

2.2.11 Subject to and conditional on the passing of the Resolution:

- (a) immediately before Admission each of the Existing Ordinary Shares, which at 6.00 p.m. on 21 May 2014 are shown in the books of the Company to be in issue or held in treasury shall be consolidated into ordinary shares of 20 pence each in the capital of the Company on the basis of ten Existing Ordinary Shares being consolidated into one Consolidated Ordinary Share, each Consolidated Ordinary Share having the same rights as the Existing Ordinary Shares, provided that:

- (i) where such consolidation results in any member being entitled to a fraction of a Consolidated Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of a Consolidated Ordinary Share to which other members of the Company may be entitled;
 - (ii) the directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant members, all the Consolidated Ordinary Shares representing such fractions at the best price reasonably obtainable to any person and to retain the net proceeds of sale of such Consolidated Ordinary Shares representing such fractions for the benefit of the Company; and
 - (iii) any director of the Company (or any person appointed by the directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such Consolidated Ordinary Shares on behalf of the relevant members and to do all acts and things the directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares;
- (b) the directors be generally and unconditionally authorised in accordance with section 551 of the Act to allot shares in the Company up to an aggregate nominal amount of £24,093,823.40 in connection with the Acquisition and the Placing and the offer to employees of the Enlarged Group of the Employee Shares;
- (c) the directors be empowered, pursuant to section 570 of the Act, to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority conferred by this resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act in connection with the Placing and the offer to employees of the Enlarged Group of the Employee Shares, provided that this authority shall expire on 14 May 2015 or, if earlier, the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such an offer or agreement as if this power had not expired; and
- (d) immediately before Admission the provisions of the Company's memorandum of association that are treated as provisions of the Existing Articles be deleted and the New Articles be adopted as the articles of association of the Company in substitution for, and the exclusion of, the Existing Articles.

2.2.12 The Existing Ordinary Shares have been created pursuant to the Act and the Existing Articles. The Consolidated Ordinary Shares will be created pursuant to the Act and the New Articles and will be sterling denominated ordinary shares of 20 pence each in the capital of the Company with the ISIN Number GB00BKT04W07.

2.2.13 The Existing Ordinary Shares are in registered form and are admitted to trading on AIM. The Consolidated Ordinary Shares will, on Admission, be capable of being held in uncertificated form. Prior to the despatch of share certificates following the Placing, transfers will be certified against the register of members. The Company has applied to Euroclear UK & Ireland for the Consolidated Ordinary Shares to be admitted to CREST with effect from Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument. The New Articles to be adopted conditionally upon Admission will permit the holding of Consolidated Ordinary Shares in CREST. CREST is a voluntary system and holders of Consolidated Ordinary Shares who wish to retain share certificates will be able to do so.

2.3 Options

2.3.1 As at the date of this document, options over a total of 13,276,581 Existing Ordinary Shares, amounting to 6.3 per cent. of the issued share capital have been granted for no consideration under the terms of the Performance Share Plan. Further details of the options are set out in paragraph 9 of this Part 20.

2.3.2 The Company will grant options on Admission over an aggregate of 1,213,332 Consolidated Ordinary Shares on the terms of the Performance Share Plan (summarised in paragraph 9 below) at an exercise price not less than the Placing Price.

2.4 Organisational structure, subsidiary undertakings and other holdings

2.4.1 Terrace Hill

Terrace Hill is the holding company of the Terrace Hill Group. Below is a list of the subsidiary undertakings of the Company that are significant in terms of the Terrace Hill Group's assets and liabilities, financial position or profits and losses. Each of these companies is directly or indirectly wholly-owned by the Company, the issued share capital of each is fully paid and each of them is incorporated in England and Wales, unless otherwise specified.

<i>Name</i>	<i>Principal activity</i>	<i>Percentage of issued share capital held by Terrace Hill and voting power</i>
Middlehaven Properties Limited	Property development	100%
PCG Investments Limited	Investment holding company and property development	100%
Terrace Hill Limited	Investment holding company and property development	100%
Terrace Hill (Baltic) Limited	Property development	100%
Terrace Hill Baltic (No 3) Limited	Property development	100%
Terrace Hill (Christchurch) Limited	Property development	100%
Terrace Hill (Croydon) Limited	Property development	100%
Terrace Hill Developments Limited	Property development	100%
Terrace Hill (Feethams) Limited	Property development	100%
Terrace Hill (Herne Bay) Limited	Property development	100%
Terrace Hill (Howick Place) Investments Limited	Investment holding company	100%
Terrace Hill (Management) Limited*	Management and administration	100%
Terrace Hill Mayflower Plaza Limited	Property development	100%
Terrace Hill (Middlehaven) Limited	Investment holding company and property development	100%
Terrace Hill (Middlesbrough) Limited	Property development	100%
Terrace Hill (Midsomer) Limited	Property development	100%
Terrace Hill North East Limited	Investment holding company and property development	100%
Terrace Hill Projects Limited	Project co-ordination and management services	100%
Terrace Hill (Property Developments) No 2 Limited	Property development	100%
Terrace Hill (Redcliff Street) Limited	Property development	100%
Terrace Hill (Skelton) Limited	Property development	100%
Terrace Hill Southampton Limited	Property development	100%
Terrace Hill (Stokesley) Limited	Property development	100%
Terrace Hill (Sunderland) Limited	Property development	100%
Terrace Hill (Victoria Street) Limited	Property development	100%
Westview Investments Limited	Investment holding company and property development	100%

* Incorporated in Scotland.

The financial statements of the above companies are consolidated in the annual financial statements of Terrace Hill for the year ended 30 September 2013.

2.4.2 Urban&Civic

Urban&Civic is the holding company of the Urban&Civic Group. Below is a list of the subsidiary undertakings of Urban&Civic that are significant in terms of the Urban&Civic Group's assets and liabilities, financial position or profits and losses. Each of these companies is directly or indirectly wholly-owned by Urban&Civic, the issued share capital of each is fully paid and each of them is incorporated in England and Wales, unless otherwise specified.

On Admission, Urban&Civic and each of its subsidiary undertakings will become wholly-owned subsidiary undertakings of the Company.

<i>Name</i>	<i>Principal activity</i>	<i>Percentage of issued share capital held by Urban&Civic and voting power</i>
Urban&Civic Limited	Property management services	100%
Urban&Civic Alconbury Limited	Property owner	100%
Urban&Civic Alconbury S.à r.l.*	Former property owner	100%
Urban&Civic Acquisitions 2 S.à r.l.*	Holding company	100%
SUE Developments LP	Joint property owner	50%
SUE GP LLP	General partner of SUE LP	50%
SUE GP Nominee Limited	Nominee company to SUE LP and joint property owner	50%
Urban&Civic Rugby Limited	Holding company	100%
Urban&Civic Rugby (Member) Limited	Holding company	100%

*incorporated in Luxembourg

The financial statements of the above companies are consolidated in the annual financial statements of Urban&Civic for the year ended 31 December 2013.

On 16 April 2014, Urban&Civic converted from a Luxembourg S.A. to a Luxembourg S.à. r.l.

3. NEW ARTICLES OF ASSOCIATION

3.1 New Articles of Association

The New Articles contain provisions, *inter alia*, to the following effect:

3.1.1 Voting rights

Subject to the rights or restrictions referred to in paragraph 3.1.2 below and subject to any special rights or restrictions as to voting for the time being attached to any shares, on a show of hands (i) every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative shall have one vote; and (ii) every proxy appointed by a member shall have one vote save that every proxy appointed by one or more members to vote for the resolution and by one or more other members to vote against the resolution, has one vote for and one vote against.

3.1.2 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company unless all amounts payable by him in respect of that share have been paid.

A member of the Company shall not, if the directors determine, be entitled to attend general meetings and vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under section 793 of the Act within 14 days. The restrictions will continue for the period specified by the board provided that such period shall end not later than seven days after the earliest of (i) due compliance to the satisfaction of the board with the section 793 notice; or (ii) receipt by the Company of notice that the shareholding has been sold to a third party pursuant to an arm's length transfer.

3.1.3 Dividends

The Company may, by ordinary resolution, declare a dividend to be paid to the members, according to their respective rights and interests in the profit. The directors may pay such interim dividends as appear to the board to be justified by the financial position of the Company. No dividends payable in respect of a share shall bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of ordinary Shares the right to elect to receive further ordinary Shares, credited as fully paid instead of cash in respect of all or part of a dividend (a "scrip dividend"). The directors may, pursuant to the provisions of the New Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares which are the subject of a notice under section 793 of the Act and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14

days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend provided that the date may be before, on or after the date on which the dividend, distribution, allotment or issue is declared. A dividend unclaimed for a period of 12 years from the date when it became due for payment shall be forfeited and cease to remain owing by the Company.

3.1.4 Return of capital

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the assets in trustees on trusts for the benefit of the members as the liquidator, with the same sanction, thinks fit but no member shall be compelled to accept any assets on which there is any liability.

3.1.5 Variation of rights

All or any of the rights attaching to a class of shares in the Company may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of the class (excluding any shares of the class held as treasury shares), or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be two persons holding, or represented by proxy, not less than third in nominal value of the issued shares of the relevant class (excluding any shares of the class held as treasury shares).

3.1.6 Transfer of shares

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes (as defined in the New Articles) or in any other manner approved by the board. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or approved by the board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of the relevant system or in any other manner which is permitted by the Statutes and is from time to time approved by the board.

The directors have an absolute discretion (subject to any rules or regulations of the London Stock Exchange applicable to the Company from time to time) to refuse to register any transfer of a certificated share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis). The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is deposited at the office of the Company or such other place as the board may appoint, accompanied by the certificate for the shares to which it relates if it has been issued and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of share and in favour of no more than four transferees. The directors may, pursuant to the provisions of the New Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice under section 793 of the Act and which represent at least 0.25 per cent. of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

3.1.7 Alteration of capital and purchase of own shares

The Company may alter its share capital in accordance with the provisions in any manner permitted by the Act.

3.1.8 **General meetings**

(a) *Annual general meetings*

The board shall convene and the Company shall hold annual general meetings in accordance with the requirements of the Act.

(b) *Convening of general meetings*

All meetings other than annual general meetings shall be called general meetings. The board may convene a general meeting whenever it thinks fit. A general meeting shall also be convened by the board on the requisition of members pursuant to the provisions of the Statutes or, in default, may be convened by such requisitions, as provided by the Statutes. The board shall comply with the provisions of the Statutes regarding the giving and the circulation, on the requisition of members, of notices of resolutions and of statements with respect to matters relating to any resolution to be proposed or business to be dealt with at any general meeting of the Company.

(c) *Orderly conduct of meetings*

The board may both prior to and during any general meeting make any arrangements and impose any restrictions which it considers appropriate to ensure the security and/or the orderly conduct of any such general meeting, including, without limitation, arranging for any person attending any such meeting to be searched, for items of personal property which may be taken into any such meeting to be restricted and for any person (whether or not a member of the Company) who refuses to comply with any such arrangements or restrictions to be refused entry to or excluded from any such meeting.

(d) *Notice of general meetings*

Subject to the provisions of the Act, an annual general meeting and all other general meetings of the Company shall be called by at least such minimum period of notice as prescribed under the Act for the type of meeting concerned.

The notice shall specify the place, day and time of the meeting and the general nature of the business to be transacted.

Notice of every general meeting shall be given to all members other than any who, under the provisions of the New Articles or the terms of issue of the shares which they hold, are not entitled to receive such notices from the Company, and also to the auditors (or, if more than one, each of them) and to each director.

Every notice of meeting shall state with reasonable prominence that a member entitled to attend, speak and vote at the meeting may appoint one or more proxies to attend, speak and vote at that meeting instead of him and that a proxy need not be a member of the Company.

(e) *Quorum*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting which shall not be treated as part of the business of the meeting.

Except as otherwise provided by the New Articles two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or by proxy or a duly authorised representative of a corporation which is a member shall be a quorum. If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) from the time appointed for the commencement of the general meeting a quorum is not present, or if during the meeting, a quorum ceases to be present, the meeting, if convened by or on the requisition of members, shall be dissolved. In any other case, it shall stand adjourned to such other day (not being less than ten days later, excluding the day on

which the meeting is adjourned and the day for which it is reconvened) and at such other time and place, as the chairman of the meeting may decide.

If at an adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting or if during the meeting a quorum ceases to be present, the adjourned meeting shall be dissolved.

(f) *Chairman*

At each general meeting, the chairman of the board or, if he is absent or unwilling, the deputy chairman shall preside as chairman at every general meeting. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor the deputy chairman is present within fifteen minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor the deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman of the meeting if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman of the meeting.

(g) *Adjournment*

With the consent of any meeting at which a quorum is present the chairman of the meeting may (and if so directed by the meeting shall) adjourn the meeting either sine die or to another time or place.

In addition, the chairman of the meeting may at any time without the consent of the meeting adjourn the meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place if, in his opinion, it would facilitate the conduct of the business of the meeting to do so, notwithstanding that by reason of such adjournment notice some members may be unable to be present at the adjourned meeting.

(h) *Method of voting and demand for poll*

At a general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless (before or immediately after the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by:

- (i) the chairman of the meeting; or
- (ii) not less than five members present in person or by proxy having the right to vote on the resolution; or
- (iii) a member or members present in person or by proxy representing in aggregate not less than 10 per cent. of the total voting rights of all the members having the right to vote on the resolution (excluding any voting rights attached to any shares in the Company held as treasury shares); or
- (iv) a member or members present in person or by proxy holding shares conferring the right to vote on the resolution on which an aggregate sum has been paid up equal to not less than 10 per cent. of the total sum paid up on all the shares conferring that right (excluding any shares in the Company conferring a right to vote at the meeting which are held as treasury shares); or
- (v) any two directors, and a demand for a poll by a person as proxy for a member shall be as valid as if the demand were made by the member himself.

(i) *Taking a poll*

If a poll is demanded (and the demand is not withdrawn), it shall be taken at such time (either at the meeting at which the poll is demanded or within 30 days after the meeting), at such place and in such manner as the chairman of the meeting shall direct and he may appoint scrutineers (who need not be members).

(j) *Proxies*

A proxy need not be a member of the Company and a member may appoint more than one proxy in relation to a meeting to attend and to speak and to vote on the same occasion provided that each proxy is appointed to exercise the rights attached to a different share or shares held by a member.

(k) *Form of proxy*

An appointment of a proxy shall be in writing in (a) hard copy in any usual form or in any other form which the board may approve, signed by the appointor, or his agent duly authorised in writing, or, if the appointor is a corporation, shall either be executed under its common seal or be signed by some agent or officer authorised to sign it; or (b) electronic form.

(l) *Deposit of proxy*

The appointment of a proxy shall:

- (i) in the case of an appointment in hard copy form, be delivered personally or by post to the office or such other place within the UK as may be specified by or on behalf of the Company for that purpose in the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting or on a website that is maintained by or on behalf of the Company and identified by the Company, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting;
- (ii) in the case of an appointment in electronic form, be received at an address specified (or is deemed by a provision in the Act to have been specified) by or on behalf of the Company for the purpose of receiving documents or information in electronic form in, or by way of note to, the notice convening the meeting or in any form of proxy sent by or on behalf of the Company in relation to the meeting or in any invitation to appoint a proxy issued by or on behalf of the Company in relation to the meeting, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting;
- (iii) in the case of a poll which is taken more than 48 hours after it is demanded, be delivered or received as aforesaid not less than 24 hours before the time appointed for the taking of the poll; or
- (iv) in the case of a poll which is not taken at the meeting at which it is demanded but is taken not more than 48 hours after it was demanded, be delivered in hard copy form at the meeting at which the poll was demanded to the chairman or to the secretary or to any director.

The board may at its discretion determine that in calculating the periods mentioned above, no account shall be taken of any part of a day that is not a working day, as deemed by the Act.

In relation to any shares held in uncertificated form, the board may from time to time permit appointments of a proxy to be made by electronic means in the form of an uncertificated proxy instruction.

An appointment of a proxy relating to more than one meeting (including any adjournment thereof) having once been so received for the purposes of any meeting shall not require to be received again for the purposes of any subsequent meeting to which it relates.

(m) *Validity of proxy*

No appointment of proxy shall be valid after the expiry of twelve months from the date of its execution.

3.1.9 **Number of directors**

Unless otherwise determined by ordinary resolution of the Company, the directors (other than alternate directors) shall not be less than two.

3.1.10 **Appointment of directors**

Subject to the provisions of the New Articles, any person who is willing to act as a director, either to fill a vacancy or as an additional director, may be appointed by: (i) the Company by ordinary resolution; or (ii) the board.

Any director so appointed shall retire at the next annual general meeting and shall then be eligible for reappointment.

No person (other than a director retiring in accordance with the New Articles) shall be appointed or re-appointed a director at any general meeting unless:

- (a) he is recommended by the board; or
- (b) not less than seven nor more than 42 clear days before the date appointed for the meeting notice in writing by a member qualified to vote at the meeting (other than the person to be proposed) has been given to the Company of the intention to propose that person for appointment or re-appointment together with confirmation in writing by that person of his willingness to be appointed or re-appointed and the particulars which would, if he were so appointed or re-appointed, be required to be included in the Company's register of directors.

3.1.11 **Remuneration**

The directors (other than any director who for the time being holds an executive office of employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as determined by the directors. The aggregate of the fees shall not exceed a sum determined from time to time by the remuneration committee of the board. Any fee shall be distinct from any remuneration or other amounts payable to a director under other provisions of the New Articles and shall accrue from day to day. The directors may be paid all travelling, hotel and other expenses properly incurred in and about the discharge of their duties as directors including expenses incurred in travelling to and from meetings of the board, committee meetings, general meetings and separate meetings of the holders of any class of securities of the Company.

3.1.12 **Retirement of directors by rotation**

At every annual general meeting any director:

- (i) who has been appointed by the board since the previous annual general meeting;
- (ii) who held office at the time of the two preceding annual general meetings and who did not retire at either of them; or
- (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting,

shall retire from office and may offer himself for re-appointment by the members.

The names of the directors to retire by rotation shall be stated in the notice of the annual general meeting or in any document accompanying the notice. The directors to retire on each occasion (both as to number or identity) shall be determined by the composition of the board on the day which is 14 days prior to the date of the notice convening the annual general meeting and no directors shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time but before the close of the meeting.

3.1.13 **Position of retiring directors**

A director who retires at an annual general meeting (whether by rotation or otherwise) may, if willing to continue to act, be re-appointed. If he is re-appointed he is treated as continuing in office throughout. If he is not re-appointed, he shall retain office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to re-appoint the director is put to the meeting and lost.

3.1.14 **Removal of Directors**

Without prejudice to the provisions of the Act, the Company may by ordinary resolution remove any director before the expiration of this term of office notwithstanding anything in the New Articles or in any agreement between him and the Company.

3.1.15 **Vacation of office of director**

Without prejudice to the provisions of the New Articles for retirement or removal, the office of a director shall be vacated:

- (a) if he ceases to be a director by virtue of any provision of the Statutes or is removed from office pursuant to New Articles;
- (b) if he is prohibited by law from being a director;
- (c) if he becomes bankrupt or he makes any arrangement or composition with his creditors generally;
- (d) if a registered medical practitioner who is treating that person gives a written opinion to the Company stating that that person has become physically or mentally incapable of acting as a director and may remain so for more than three months;
- (e) if for more than six months he is absent (whether or not an alternate director attends in his place), without special leave of absence from the board, from meetings of the board held during that period and the board resolves that his office be vacated; or
- (f) if he serves on the Company notice of his wish to resign, in which event he shall vacate office on the service of that notice on the Company or at such later time as is specified in the notice.

3.1.16 **Executive directors**

The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the Company and on such terms as the board determine.

A director appointed to any executive office or employment shall automatically cease to hold that office if he ceases to be a director.

3.1.17 **Power to appoint alternate directors**

Each director may appoint another director or any other person who is willing to act as his alternate and may remove him from that office. The appointment as an alternate director of any person who is not himself a director shall be subject to the approval of a majority of the directors or a resolution of the board.

An alternate director shall be entitled to receive notice of all meetings of the board and of all meetings of committees of which the director appointing him is a member, to attend and vote at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of the New Articles shall apply as if he were a director.

Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director, but he shall count as only one for the purpose of determining whether a quorum is present.

3.1.18 **Quorum and voting requirements**

- (a) A director shall not vote on (or be counted in the quorum) in relation to any resolution of the board concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be

divided and a separate resolution may be put in relation to each director and in that case each of the directors concerned (if not otherwise debarred from voting under this Article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

- (b) A director shall not be entitled to vote on a resolution (or attend or count in the quorum at those parts of a meeting regarding such resolution) relating to a transaction or arrangement with the Company in which he is interested, save:
- (i) where the other directors resolve that the director concerned should be entitled to do so in circumstances where they are satisfied that the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interest; or
 - (ii) in any of the following circumstances:
 - (A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by the director or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which the director has himself assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (C) the giving to him of any other indemnity, where all other directors are also being offered indemnities on substantially the same terms;
 - (D) the funding by the Company of his expenditure on defending proceedings or the doing by the Company of anything to enable him to avoid receiving such expenditure where all other directors are being offered substantially the same arrangements;
 - (E) any contract concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer the director is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (F) any contract in which the director is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - (G) any contract concerning any other company in which the director is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise, unless the company is one in which he has a relevant interest;
 - (H) any contract relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - (I) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to directors and employees of the Company and/or of any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
 - (J) any contract concerning the adoption, modification or operation of a pension fund, superannuation or similar scheme or retirement, death, or disability benefits scheme or employees' share scheme which relates both to directors and employees of the Company or any of its subsidiary undertakings and does not provide in respect of any director as such any privilege or advantage not accorded to employees to which the fund or scheme relates; and
 - (K) any contract concerning the purchase or maintenance of insurance against any liability, for the benefit of persons including directors.

- (c) A company shall be deemed to be one in which a director has a relevant interest if and so long as he (together with persons connected with him within the meaning of sections 252 to 255 of the Act) to his knowledge holds an interest in shares (as determined pursuant to sections 820 to 825 of the Act) representing 1 per cent. or more of any class of the equity share capital of that company (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights available to members of that company or if he can cause 1 per cent. or more of those voting rights to be exercised at his direction; and
- (d) Where a company in which a director has a relevant interest is interested in a contract, he shall also be deemed interested in that contract.

3.1.19 **Other conflicts of interest**

- (a) If a director is in any way, directly or indirectly, interested in a proposed contract with the Company or a contract that has been entered into by the Company, he must declare the nature and extent of that interest to the directors in accordance with the Statutes.
- (b) Provided he has duly declared his interest, a director may:
 - (i) be party to, or otherwise interested in, any contract with the Company or in which the Company has a direct or indirect interest;
 - (ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the board may decide, either in addition to or in lieu of any remuneration under any other provision of the New Articles;
 - (iii) act by himself or through a firm with which he is associated in a professional capacity for the Company or any other company in which the Company may be interested (otherwise than as auditor);
 - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Company or any other company in which the Company may be interested; and
 - (v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

3.1.20 **Conflicts of interest requiring board authorisation**

- (a) A “conflict of interest” means, in relation to any person, an interest or duty which that person has which directly or indirectly conflicts or may conflict with the interests of the Company or the duties owed by that person to the Company but excludes a conflict of interest arising in relation to a transaction or arrangement with the Company.
- (b) The board may, subject to the quorum and voting requirements set out in this New Article, authorise any matter which would otherwise involve a director breaching his duty under the Statutes to avoid conflicts of interest (“Conflicts”).
- (c) A director seeking authorisation in respect of a Conflict shall declare to the board the nature and extent of his interest in a Conflict as soon as is reasonably practicable. The director shall provide the board with such details of the relevant matter as are necessary for the board to decide how to address the Conflict together with such additional information as may be requested by the board.
- (d) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the board shall be effected in the same way that any other matter may be proposed to and resolved upon by the board under the provisions of these New Articles save that:
 - (i) the relevant director and any other director with a similar interest shall not count towards the quorum nor vote on any resolution giving such authority; and

- (ii) the relevant director and any other director with a similar interest may, if the other members of the board so decide, be excluded from any board meeting while the Conflict is under consideration.
- (e) Where the board gives authority in relation to a Conflict, or where any of the situations described in this New Article applies in relation to a director (a “Relevant Situation”):
- (i) the board may (whether at the relevant time or subsequently) (A) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at meetings of the board or otherwise) related to the Conflict or Relevant Situation; and (B) impose upon the relevant director such other terms for the purpose of dealing with the Conflict or Relevant Situation as it may determine;
 - (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the board in relation to the Conflict or Relevant Situation;
 - (iii) the board may provide that where the relevant director obtains (otherwise than through his position as a director of the Company) information that is confidential to a third party, the director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company’s affairs, where to do so would amount to a breach of that confidence;
 - (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
 - (v) the board may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.
- (f) The directors may authorise a matter which may give rise to a Conflict on the part of a person who is proposed to be appointed as a director to the board and any authorisation of such matter by the directors shall promptly be communicated to such person and shall apply to him on his appointment as a director.

3.1.21 **Benefits**

Subject to the provisions of the Statutes a director shall not be disqualified by his office from entering into any contract with the Company, either with regard to his tenure of any office or position in the management, administration or conduct of the business of the Company or as vendor, purchaser or otherwise. Subject to the interest of the director being duly declared, a contract entered into by or on behalf of the Company in which any director is in any way interested shall not be liable to be avoided; nor shall any director so interested be liable to account to the Company for any benefit resulting from the contract by reason of the director holding that office or of the fiduciary relationship established by his holding that office.

3.1.22 **Powers of the board**

The business of the Company shall be managed by the board which may exercise all the powers of the Company, subject to the provisions of the Statutes and the New Articles. No alteration of the New Articles shall invalidate any prior act of the board which would have been valid if the alteration had not been made. The New Articles enable the directors to pass a resolution to change the Company’s name. If such a power is exercised by the Board, notice of such change shall be given to the members.

3.1.23 **Borrowing powers**

Subject to the provisions of the Statutes and the New Articles, the board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the Company’s undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities and to give security either outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.1.24 **Indemnity of officers**

Subject to the provisions of and so far as may be permitted by and consistent with the Statutes each current or former director or other officer of the Company or any Associated Company may be indemnified out of the assets of the Company against:

- (a) any liability incurred by or attaching to him in connection with any negligence, default, breach of duty or breach of trust in relation to the Company other than in the case of a current or former director:
 - (i) any liability to the Company or any Associated Company (as defined in the New Articles); and
 - (ii) any liability of the kind referred to in section 234(3) of the Act;
- (b) any liability incurred by or attaching to him in connection with the activities of the Company or any Associated Company (as defined in the New Articles) in its capacity as a trustee of an occupational pension scheme (as defined in section 235(6) of the Act) other than a liability of the kind referred to in section 235(3) of the Act; and
- (c) any other liability incurred by or attaching to him in the actual or purported execution and/or discharge of his duties and/or the exercise or purported exercise of his powers.

For the purpose of this New Article, references to “liability” shall include all costs and expenses incurred by the current or former director or other officer (other than an auditor) in relation thereto.

Subject to the provisions of and so far as may be permitted by the Statutes, the board may exercise all the powers of the Company to:

- (a) provide any current or former director or other officer (other than an auditor) of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by him in relation to the Company or an Associated Company, or in connection with any application for relief under the provisions mentioned in section 205(5) of the Act; and
- (b) do anything to enable any such person to avoid incurring expenditure,

but so that the terms set out in section 205(2) of the Act shall apply to any such provision of funds or other things so done. For the purpose of this Article references to “director” in section 205(2) of the Act shall be deemed to include references to a former director or other officer (other than an auditor) of the Company.

The board may purchase and maintain for or for the benefit of any person who holds or has at any time held a relevant office (as defined in the New Articles), insurance against any liability or expense incurred by him in relation to the Company or any Associated Company or any third party in respect of any act or omission in the actual or purported discharge of his duties or otherwise in connection with holding his office.

3.1.25 **Delegation to individual directors**

The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) on such terms and conditions as it thinks fit and may revoke or vary all or any of them, but no person dealing in good faith shall be affected by any revocation or variation. The power to delegate contained in this New Article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain New Articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

3.1.26 **Committees**

The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) including without prejudice to the generality of the foregoing all powers, authorities and discretions whose exercise involves or may involve the payment of remuneration to, or the conferring of any other benefit on, all or any of the directors to any committee consisting of such person or persons (whether directors or not) as it thinks fit, provided that the majority of the members of the committee are

directors and that no meeting of the committee shall be quorate for the purpose of exercising any of its powers, authorities or discretions unless a majority of those present are directors.

3.1.27 **Board meetings**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit.

3.1.28 **Notice of board meetings**

Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in hard copy form to him at his last known address or any other address given by him to the Company for this purpose or sent in electronic form to him at an address given by him to the Company for this purpose.

3.1.29 **Quorum**

The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be two. Subject to the provisions of the New Articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

3.1.30 **Voting**

Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall not have a second or casting vote, unless he is not, in accordance with the New Articles, to be counted as participating in the decision-making process for quorum, voting or agreement purposes.

3.1.31 **Telephone and video conference meetings**

A meeting of the board may consist of a conference between directors some or all of whom are in different places provided that each director who participates is able:

- (a) to hear each of the other participating directors addressing the meeting; and
- (b) if he wishes, to address all of the other participating directors simultaneously, whether by conference telephone or by video conference or by any other form of communications equipment (whether in use when the New Articles are adopted or developed subsequently) or by a combination of any such methods.

A meeting held in this way is deemed to take place at the place where the largest group of participating directors is assembled or, if no such group is readily identifiable, at the place from where the chairman of the meeting participates.

3.1.32 **Resolutions in writing**

Any director may propose a directors' written resolution and the secretary must propose a written resolution if a director so requests. A resolution in writing signed by all the directors who are entitled to notice of a meeting of the board, to attend such meeting and to vote on such resolution shall be as valid and effective as if it had been passed at a meeting of the board duly called and constituted provided that the number of directors signing the resolution is not less than the number of directors required for a quorum necessary for the transaction of the business of the board. The resolution may be contained in one document or in several documents in like form, each signed or approved by one or more of the directors concerned.

4. DIRECTORS', PROPOSED DIRECTORS', SENIOR MANAGERS' AND OTHERS' SHARE INTERESTS AND OPTIONS

- 4.1 The interests of the Directors, the Proposed Directors, Senior Managers and any person connected with a Director or Proposed Director or Senior Manager (within the meaning of section 252 of the Act) (all of which are beneficial unless otherwise stated) in the issued share capital of the Company

were as at the Latest Practicable Date and are expected to be immediately following the Proposals, to the extent that their existence is known to, or could with reasonable diligence be ascertained by, the Directors and the Proposed Directors, as follows:

<i>Director/ Senior Manager</i>	<i>As at the Latest Practicable Date</i>		<i>Immediately following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>% of issued share capital</i>	<i>Number of Consolidated Ordinary Shares</i>	<i>% of issued share capital¹</i>
Nigel Hugill	–	–	1,198,375	0.9
Robin Butler	–	–	1,198,375	0.9
Philip Leech	2,389,472	1.13	461,169	0.3
Jon Austen	440,130	0.21	177,346	0.1
Robert Adair (<i>including family trusts</i>)	133,266,239	62.87	13,611,062	9.7
June Barnes	–	–	4,444	0.0
Alan Dickinson	–	–	88,888	0.1
Robert Dyson	623,000	0.29	173,411	0.1
Duncan Hunter	–	–	550,000	0.4
Mark Tagliaferri ²	–	–	40,447,294	28.9
Nick Gaskell	–	–	–	–
Will Wyatt ³	17,600,000	8.30	1,760,000	1.3
Richard Hepworth ⁴	–	–	–	–
Robert Lane ⁴	–	–	–	–
Tim Leathes ⁴	–	–	60,061	0.0
Duncan McEwan ⁴	–	–	–	–
Adam Pratt ⁴	–	–	–	–
James Scott ⁴	–	–	133,295	0.1
Nigel Wakefield ⁴	–	–	–	–
David Wood ⁴	–	–	60,061	0.0

¹ Assuming that the Company issues 75,555,556 Placing Shares in the Placing (and excluding any Employee Shares).

² Mark Tagliaferri holds a 0.2 per cent. indirect interest in GIP U&C which will hold 40,447,294 Consolidated Ordinary Shares on Admission.

³ Will Wyatt holds an 8.3 per cent. indirect interest in the Company, through Caledonia Investments plc in which he holds an interest of 1.87 per cent.

⁴ The Senior Managers are entitled to subscribe for Consolidated Ordinary Shares pursuant to the Employee Offer and if they do so, an appropriate announcement will be made by the Company.

4.2 As at the Latest Practicable Date, the Executive Directors and current Senior Managers held options over the Company's shares as follows under the Performance Share Plan:

<i>Executive Director/ Senior Manager</i>	<i>Number of options awarded¹</i>	<i>Date of grant of options</i>	<i>Option exercise period</i>
Philip Leech	585,484	28 March 2012	1 October 2014 – 27 March 2022
Philip Leech	2,134,688	7 June 2013	1 October 2015 – 6 June 2023
Jon Austen	594,059	1 September 2008	1 September 2010 – 31 August 2017
Jon Austen	496,065	28 March 2012	1 October 2014 – 27 March 2022
Jon Austen	1,808,663	7 June 2013	1 October 2015 – 6 June 2023
Robert Adair	585,484	28 March 2012	1 October 2014 – 27 March 2022
Robert Adair	2,134,688	7 June 2013	1 October 2015 – 6 June 2023
Richard Hepworth	106,512	28 March 2012	1 October 2014 – 27 March 2022
Richard Hepworth	104,226	7 June 2013	1 October 2015 – 6 June 2023
Robert Lane	340,645	28 March 2012	1 October 2014 – 27 March 2022
Robert Lane	500,000	7 June 2013	1 October 2015 – 6 June 2023
Duncan McEwan	340,645	28 March 2012	1 October 2014 – 27 March 2022
Duncan McEwan	500,000	7 June 2013	1 October 2015 – 6 June 2023
Adam Pratt	229,935	28 March 2012	1 October 2014 – 27 March 2022
Adam Pratt	202,500	7 June 2013	1 October 2015 – 6 June 2023
Nigel Wakefield	221,419	28 March 2012	1 October 2014 – 27 March 2022
Nigel Wakefield	357,143	7 June 2013	1 October 2015 – 6 June 2023

¹ Number of options/exercise price to be adjusted to reflect Share Consolidation on the same basis as the holdings of Shareholders.

- 4.3 Immediately following the Proposals, certain of the Directors and Proposed Directors will be granted options over the Company's shares pursuant to the Performance Share Plan (including as to vesting and holding periods) (equivalent to twice their respective annual salaries) as follows:

<i>Name</i>	<i>Number of options to be awarded</i>
Nigel Hugill	342,222
Robin Butler	342,222
Philip Leech	288,888
Jon Austen	240,000

- 4.4 Save as set out in paragraphs 4.1, 4.2 and 4.3 above, none of the Directors, the Proposed Directors or Senior Managers or any person connected with any Director, Proposed Director or Senior Manager (within the meaning of section 252 of the Act), had as at the Latest Practicable Date, or will immediately following the Proposals have, any interest, whether beneficial or non-beneficial, in the share capital of the Company or any of its subsidiaries, or any options over the Company's shares.

- 4.5 As at the Latest Practicable Date and as expected to be held immediately following Admission the Company is aware of the following persons (other than any Director or Senior Manager) who by virtue of the Proposals or the notifications made to it pursuant to the Act and/or the Disclosure and Transparency Rules, are or will be immediately following Admission be interested, directly or indirectly, in three per cent. or more of the Company's issued share capital:

<i>Name</i>	<i>As at the Latest Practicable Date</i>		<i>Following Admission</i>	
	<i>Number of Existing Ordinary Shares</i>	<i>Percentage of voting rights</i>	<i>Number of Consolidated Ordinary Shares</i>	<i>Percentage of voting rights¹</i>
	GIP U&C	–	–	40,447,294
Caledonia Investments plc	17,600,000	8.30	1,760,000	1.3

¹ Assuming that the Company issues 75,555,556 Placing Shares in the Placing (excluding any Employee Shares).

- 4.6 There are no differences between the voting rights enjoyed by the shareholders described in paragraphs 4.1 to 4.4 above and those enjoyed by any other holder of Existing Ordinary Shares in the Company or to be enjoyed by any other holder of Consolidated Ordinary Shares following the Proposals.
- 4.7 Save for Robert Adair (and his family trusts) who owns 62.9 per cent. of the existing ordinary share capital of the Company but is expected to be diluted to 9.7 per cent. on Admission¹, the Directors and the Proposed Directors are not aware of any person who can currently or who will immediately following Admission, directly or indirectly, jointly or severally, own or exercise or could exercise control over the Company.

¹ Assuming that the Company issues 75,555,556 Placing Shares in the Placing (excluding any Employee Shares).

5. DIRECTORS', PROPOSED DIRECTORS' AND SENIOR MANAGERS' REMUNERATION AND DIRECTORS' AND PROPOSED DIRECTORS' TERMS AND CONDITIONS

- 5.1 In the financial year ended 30 September 2013, the aggregate remuneration (including pension fund contributions and benefits in kind) of the Directors and current Senior Managers was £3,770,591. The aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) of the Directors, the Proposed Directors and the Senior Managers in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £3,563,082 in addition to which performance-related bonuses of £850,925 in aggregate (equivalent to 100 per cent. of annual salary) have been awarded to Robert Adair, Philip Leech and Jon Austen in respect of the year ended 30 September 2013 and which are due for payment following Admission. In the financial year ended 30 September 2013, no Director or current Senior Manager accrued contingent or deferred compensation payable at a later date.

5.2 Executive Directors' remuneration

The remuneration of each Executive Director, excluding long-term incentive awards, during the financial year ended 30 September 2013 is detailed below:

<i>Executive Director</i>	<i>Annual salary/£</i>	<i>Benefits/£</i>	<i>Bonus/£</i>	<i>Pension contribution/£</i>
Robert Adair (Executive Chairman)	298,856	15,000	231,000	50,000
Philip Leech (Chief Executive)	298,856	13,000	289,000	50,000
Jon Austen (Group Finance Director)	253,213	15,000	196,000	49,000

5.3 Executive Directors' service agreements

Each Executive Director has entered into service agreements with Terrace Hill (Management) Limited, each of which can be terminated on 12 months' written notice by either party. Each service agreement provides for the Executive Director's salary to be reviewed annually. The Executive Directors are also entitled to other benefits commensurate with their position including a car allowance, contributions to pension plans, private medical insurance, permanent health insurance and life assurance.

The Executive Directors' service contracts do not explicitly provide for termination payments or damages but the Terrace Hill Group may make payment in lieu of notice, which would consist of basic salary and other relevant emoluments for the relevant notice period, excluding any bonus.

Robert Adair has entered into an appointment letter dated 28 April 2014, conditional on Admission, to replace his existing service agreement, which will terminate on Admission pursuant to the settlement agreement entered into on 28 April 2014 with Terrace Hill (Management) Limited, further details of which are set out in paragraph 16.1.7 of this Part 20. Under the terms of his new appointment letter, Mr Adair will be retained as Deputy Chairman and a non-executive director of the Company. The appointment is subject to termination by either party on not less than three months' notice. Mr Adair is entitled to an annual fee of £40,000, together with additional agreed fees for consultancy services. He will be reimbursed for all proper and reasonable expenses incurred in performing his duties. He is not entitled to pension contributions or to participate in any of the Company's benefit arrangements.

Philip Leech has entered into a new service agreement dated 28 April 2014 to replace his existing service agreement, conditional on Admission, pursuant to which he has been retained as Property Director. The agreement is subject to termination by either party on not less than 12 months' notice. Mr Leech is entitled to an annual salary of £325,000 subject to annual review. Mr Leech is entitled to participate in the Company's discretionary bonus scheme up to an amount equal to 175 per cent. of salary. The Company makes annual contributions to Mr Leech's pension arrangements of 15 per cent. of his annual salary, which are either made to the pension arrangements or as additional salary.

Jon Austen has entered into a new service agreement dated 28 April 2014 to replace his existing service agreement, conditional on Admission, pursuant to which he has been retained as Group Financial Director. The agreement is subject to termination by either party on not less than 12 months' notice. Mr Austen is entitled to an annual salary of £270,000 subject to annual review. Mr Austen is entitled to participate in the Company's discretionary bonus scheme up to an amount equal to 175 per cent. of salary. The Company makes annual contributions to Mr Austen's pension arrangements of 15 per cent. of his annual salary, which are either made to the pension arrangements or as additional salary.

5.4 Senior Managers' remuneration

The aggregate remuneration (including bonuses and benefits) paid by the Terrace Hill Group to the current Senior Managers in the financial year ended 30 September 2013 was £2,050,000.

Each Senior Manager has entered into a service agreement with a member of the Terrace Hill Group. Each service agreement provides for the Senior Manager's salary to be reviewed annually. The Senior Managers are also entitled to other benefits commensurate with their position including a car allowance, contributions to pension plans, private medical insurance, permanent health insurance and life assurance.

The Senior Managers' service contracts do not explicitly provide for termination payments or damages but the Terrace Hill Group may make payment in lieu of notice, which would consist of basic salary and other relevant emoluments for the relevant notice period, excluding any bonus.

5.5 **Non-executive Directors**

Each Non-executive Director has entered into agreements with the Company. Their annual fees are as follows:

<i>Name</i>	<i>Annual fee (£)</i>
Robert Dyson	23,000
Nick Gaskell	17,000
Will Wyatt	17,000

Each Non-executive Director's appointment is subject to three months' notice by either party.

Non-executive Directors' fees are determined by the Executive Directors having regard to the need to attract high calibre individuals with relevant experience, the time and responsibilities entailed and comparative fees paid in the Terrace Hill Group's market.

The Non-executive Directors are not eligible for pensions and do not participate in the Terrace Hill Group's incentive schemes.

Robert Dyson has entered into an appointment letter dated 28 April 2014 to replace his existing appointment letter, conditional on Admission, pursuant to which he has been retained as a non-executive director of the Company. The appointment is subject to termination by either party on not less than three months' notice. Mr Dyson is entitled to an annual fee of £46,000. He will be reimbursed for all proper and reasonable expenses incurred in performing his duties. He is not entitled to pension contributions or to participate in any of the Company's benefit arrangements.

Nick Gaskell and Will Wyatt, whose profiles are set out below, have signed letters of resignation under which their respective appointments as directors of the Company will terminate with effect from Admission.

Nick Gaskell, aged 64, Non-executive Director (appointed 3 June 2010)

Nick has been a partner at Saffery Champness since 1981, where he specialises in corporate finance and flotations on UK-listed markets and also advises private companies. Nick is involved in the management of the trusts that hold the majority of Mr Adair's shareholding in Terrace Hill and is therefore considered non-independent.

Will Wyatt, aged 45, Non-executive Director (appointed 22 June 2004)

Will is CEO of Caledonia Investments plc, a FTSE 250 investment company, and is also a non-executive director of Avanti Communications Group, a specialist media and satellite company, Cobehold SA, a Belgian-based investment company, Real Estate Investors PLC, a Birmingham based listed property business, and chairman of the Advisory board of TGE Marine AG, a specialist gas engineering business. Will represents Caledonia Investment plc which owns, as at the Latest Practicable Date, 8.3 per cent. of the issued share capital of Terrace Hill and is therefore considered non-independent.

5.6 **Proposed Directors**

The Company has entered into the following contracts with the Proposed Directors conditional on Admission:

Executive Directors

Nigel Hugill will, from Admission, be employed by the Company as Executive Chairman pursuant to a service agreement dated 28 April 2014. The agreement will take effect on Admission and is subject to termination by either party on not less than 12 months' notice. Mr Hugill is entitled to an annual salary of £385,000 subject to annual review. Mr Hugill is entitled to participate in the Company's discretionary bonus scheme up to an amount equal to 175 per cent. of salary. The Company makes annual contributions to Mr Hugill's pension arrangements of 15 per cent. of his annual salary, which are either made to the pension arrangements or as additional salary.

Robin Butler will, from Admission, be employed by the Company as Managing Director pursuant to a service agreement dated 28 April 2014. The agreement will take effect on Admission and is subject to termination by either party on not less than 12 months' notice. Mr Butler is entitled to an annual salary of £385,000 subject to annual review. Mr Butler is entitled to participate in the Company's discretionary bonus scheme up to an amount equal to 175 per cent. of salary. The Company makes annual contributions to Mr Butler's pension arrangements of 15 per cent. of his annual salary, which are either made to the pension arrangements or as additional salary.

Non-executive Directors

Alan Dickinson, June Barnes, Duncan Hunter and Mark Tagliaferri have each entered into appointment letters dated 28 April 2014 pursuant to which they have each been appointed as a non-executive director of the Company, conditional on Admission. The appointments are subject to termination by either party on not less than three months' notice. Mr Dickinson is entitled to an annual fee of £55,000. Mrs Barnes is entitled to an annual fee of £40,000. Mr Hunter is entitled to an annual fee of £55,000. Mr Tagliaferri is not entitled to an annual fee or reimbursement of his proper and reasonable expenses incurred in performing his duties but pursuant to the Relationship Agreement an annual fee of £40,000 is payable to the GI Group, which is also able to recover such incurred expenses. Each of them (other than Mr Tagliaferri) will be reimbursed for all proper and reasonable expenses incurred in performing their duties. None of them are entitled to pension contributions or to participate in any of the Company's benefit arrangements.

- 5.7 Save as mentioned above in this paragraph 5, there are no existing or proposed service agreements between any Director or Proposed Director and the Company or any of its subsidiaries providing for benefits upon termination of employment.

6. ADDITIONAL INFORMATION ON THE DIRECTORS, PROPOSED DIRECTORS AND SENIOR MANAGERS

- 6.1 Details of the Directors' and Senior Managers' functions and relevant management expertise and experience are set out in paragraph 1.7 of Part 7 of this document. The current business address of the Directors and the current Senior Managers is 1 Portland Place, London W1B 1PN. Details of the Proposed Directors' functions and relevant experience are set out in paragraph 1.7 of Part 7 of this document. The proposed business address of the Proposed Directors on Admission is 1 Portland Place, London W1B 1PN.

- 6.2 In addition to their directorships (or proposed directorships) in the Company and certain of its subsidiaries, the Directors, the Proposed Directors and Senior Managers hold, or have held within the past five years, the following directorships and been members of the following partnerships:

<i>Name</i>	<i>Current</i>	<i>Past</i>
Nigel Hugill	Centre for Cities Chobham School Academy (Stratford) CK Val Limited London School of Economics & Political Science RSC Matilda US Limited The Westminster Academy Urban&Civic Alconbury Limited Urban&Civic Limited Urban&Civic Rugby Limited Urban&Civic Rugby (Member) Limited	Canal & River Trust The Architecture Foundation

<i>Name</i>	<i>Current</i>	<i>Past</i>
Robin Butler	New Heritage Regeneration Limited TEWC The English Wine Company Limited The EWC Exceptional Wine Company Limited The National Retail Planning Forum Urban&Civic Alconbury Limited Urban&Civic Limited Urban&Civic Rugby Limited Urban&Civic Rugby (Member) Limited	Cowdray Park Polo Club Limited The Hurlingham Polo Association
Philip Leech	Achadonn Limited Achadonn Properties (Armadale) Limited Achadonn Properties Limited Baltic Business Quarter Management Limited Belgrave Residential Assets Limited Belgrave Residential Investments Limited Brightstamp Limited Britannic Global Income Trust Limited Castlegate Nominee No.1 Limited Castlegate Nominee No.2 Limited Cleatlam Properties Limited Devcap Partnership 2 General Partner Limited Devcap Partnership 2 Nominee Limited Dialfolder Limited Terrace Hill (Aeropark) Limited Terrace Hill (Armadale No. 1) Limited Terrace Hill (Armadale No. 2) Limited Terrace Hill (Baltic) Limited Terrace Hill (Bishop Auckland) Limited Terrace Hill (Bracknell) Limited Terrace Hill (Broomielaw) Limited Terrace Hill (Central Scotland) Limited Terrace Hill (Christchurch) Limited Terrace Hill (Croydon) Limited Terrace Hill (Feethams) Limited Terrace Hill (Galashiels) No.1 Limited Terrace Hill (Galashiels) No.2 Limited Terrace Hill (Heaton Park) Management Limited Terrace Hill (Herne Bay) Limited Terrace Hill (Howick Place) Investments Limited Terrace Hill (Hyde) Limited Terrace Hill (Kilmarnock) Limited Terrace Hill (Maidenhead) Limited Terrace Hill (Management) Limited Terrace Hill (Middlehaven) Limited Terrace Hill (Middlesbrough) Limited Terrace Hill (Midsomer) Limited Terrace Hill (Miscellaneous Properties) Limited Terrace Hill (Penzance) Limited	Baltic Business Quarter Management Limited Heaton Park Developments Limited Terrace Hill (Albany Road) Limited Terrace Hill (Ashington) Limited Terrace Hill (Bishop Auckland No.2) Limited Terrace Hill (Hammersmith) Limited Terrace Hill (Helston) Limited Terrace Hill (Newcastle) Limited Terrace Hill (Strand Street) Limited Terrace Hill (Westminster House) Limited Terrace Hill (Weston) Limited Terrace Hill (Wilton Road) Nominee No.1 Limited Terrace Hill (Wilton Road) Nominee No.2 Limited Terrace Hill Retail Limited Manhattan Gate Management Company Limited Raleigh Close Management Company Limited Raleigh Close Management Company Limited Spath Holme Management Limited Taffrule Properties Limited Two Orchards Holdings Limited Two Orchards Limited (in administration)

<i>Name</i>	<i>Current</i>	<i>Past</i>
Philip Leech (continued)	Terrace Hill (Prestwich) Limited	
	Terrace Hill (Property Developments) No 1 Limited	
	Terrace Hill (Property Developments) No.2 Limited	
	Terrace Hill (Property Investment No. 2) Ltd	
	Terrace Hill (Redcliff Street) Limited	
	Terrace Hill (Residential Developments) Limited	
	Terrace Hill (Shotts) Limited	
	Terrace Hill (Skelton) Limited	
	Terrace Hill (St. Austell) Limited	
	Terrace Hill (Stockton) Limited	
	Terrace Hill (Stokesley) Limited	
	Terrace Hill (Sunderland) Limited	
	Terrace Hill (Victoria Street) Limited	
	Terrace Hill (Whitchurch) Limited	
	Terrace Hill Baltic (No.2) Limited	
	Terrace Hill Baltic (No.3) Limited	
	Terrace Hill Baltic (No.4) Limited	
	Terrace Hill Blyth Limited	
	Terrace Hill Castlegate House Limited	
	Terrace Hill Development Partnership General Partner Limited	
	Terrace Hill Developments Limited	
	Terrace Hill Estates Limited	
	Terrace Hill Foodstores Company Limited	
	Terrace Hill Foodstores Company Limited	
	Terrace Hill Homes Limited	
	Terrace Hill Land Developments (Scotland) Limited	
	Terrace Hill Limited	
	Terrace Hill Mayflower Plaza Limited	
	Terrace Hill North East Limited	
	Terrace Hill Projects Limited	
	Terrace Hill Property Developments Limited	
	Terrace Hill Resolution Limited	
	Terrace Hill Southampton Limited	
	III Acre Site Management Company Ltd	
	Manhattan Gate Management Company Limited	
	Middlehaven Properties 2 Ltd	
	Middlehaven Properties Limited	
	NC (Res) Limited	
	Neill Clerk Energy (US) Limited	
	Paisley Pattern Homes Limited	
	Park Circus Registrars Limited	
	PCG Residential Lettings (No.3) Limited	
	PCG Residential Lettings (No.7) Limited	
	PCG Residential Lettings Limited	
	PCG Residential Limited	
	Second Park Circus Investing	
	Second South Eastern Recovery Investing Limited	
	South Eastern Recovery II Limited	
	Spath Holme Limited	
	T.H. (Development Partnership) Limited	

<i>Name</i>	<i>Current</i>	<i>Past</i>
Philip Leech (continued)	T/H (Development Partnership) General Partner Limited Westview Investments Limited Whiston Investments Limited	
Jon Austen	Achadonn Limited Achadonn Properties (Armadale) Limited Achadonn Properties Limited Baltic Business Quarter Management Limited Belgrave Residential Assets Limited Belgrave Residential Investments Limited Brabazon Park Management Company Limited Brightstamp Limited Britannic Global Income Trust Limited Cirrus (Aeropark) Management Limited Clansman Homes Limited Devcap Partnership 2 General Partner Limited Devcap Partnership 2 Nominee Limited Dialfolder Limited Hollylux Limited Terrace Hill (Aeropark) Limited Terrace Hill (Armadale No.1 Limited) Terrace Hill (Armadale No.2) Limited Terrace Hill (Awdry) Holdings Limited Terrace Hill (Baltic) Limited Terrace Hill (Berkeley No.1) Limited Terrace Hill (Berkeley) Limited Terrace Hill (Bishop Auckland) Limited Terrace Hill (Bracknell) Limited Terrace Hill (Broomielaw) Limited Terrace Hill (Carluke) Limited Terrace Hill (Central Scotland) Limited Terrace Hill (Christchurch) Limited Terrace Hill (Croydon) Limited Terrace Hill (Feethams) Limited Terrace Hill (Galashiels) No. 1 Limited Terrace Hill (Galashiels) No.2 Limited Terrace Hill (Heaton Park) Management Limited Terrace Hill (Herne Bay) Limited Terrace Hill (Howick Place) Investments Limited Terrace Hill (Hyde) Limited Terrace Hill (Kilmarnock) Limited Terrace Hill (Maidenhead) Limited Terrace Hill (Management) Limited Terrace Hill (Middlehaven) Limited Terrace Hill (Middlesbrough) Limited Terrace Hill (Midsomer) Limited Terrace Hill (Miscellaneous Properties) Limited Terrace Hill (Patna) Limited Terrace Hill (Patna) Limited	Terrace Hill (Albany Road) Limited Terrace Hill Redditch Limited Terrace Hill Retail Partnership General Partner Limited Terrace Hill Retail Partnership Limited Raleigh Close Management Company Limited Serah Properties Plc Spath Holme Management Limited The Wisley Golf Club Plc Two Orchards Limited (in administration)

<i>Name</i>	<i>Current</i>	<i>Past</i>
Jon Austen (continued)	Terrace Hill (Penzance) Limited	
	Terrace Hill (Pinewood) Limited	
	Terrace Hill (Prestwich) Limited	
	Terrace Hill (Property Developments) No.1 Limited	
	Terrace Hill (Property Developments) No.2 Limited	
	Terrace Hill (Property Investment No. 2) Ltd	
	Terrace Hill (Property Investment No.1) Ltd	
	Terrace Hill (Redcliff street) Limited	
	Terrace Hill (Residential Developments) Limited	
	Terrace Hill (Secretaries) Limited	
	Terrace Hill (Shotts) Limited	
	Terrace Hill (Skelton) Limited	
	Terrace Hill (St. Austell) Limited	
	Terrace Hill (Stockton) Limited	
	Terrace Hill (Stokesley) Limited	
	Terrace Hill (Sunderland) Limited	
	Terrace Hill (Swansea) Limited	
	Terrace Hill (Tunbridge Wells) Limited	
	Terrace Hill (Victoria Street) Limited	
	Terrace Hill (Whitchurch) Limited	
	Terrace Hill (Wilton Road) Holdings Limited	
	Terrace Hill Baltic (No 3) Limited	
	Terrace Hill Baltic (No.2) Limited	
	Terrace Hill Baltic (No.4) Limited	
	Terrace Hill Blyth Limited	
	Terrace Hill Brigit Limited	
	Terrace Hill Castlegate House Limited	
	Terrace Hill Development Partnership General Partner Limited	
	Terrace Hill Development Partnership Nominee Limited	
	Terrace Hill Developments Limited	
	Terrace Hill Estates Limited	
	Terrace Hill Foodstores Company Limited	
	Terrace Hill Homes Limited	
	Terrace Hill Land Developments (Scotland) Limited	
	Terrace Hill Lettings	
	Terrace Hill Limited	
	Terrace Hill Mayflower Plaza Limited	
	Terrace Hill North East Limited	
	Terrace Hill Projects Limited	
	Terrace Hill Property Developments Limited	
	Terrace Hill Redditch Development Partnership General Partner Limited	
	Terrace Hill Redditch Limited	
	Terrace Hill Residential Plc	
	Terrace Hill Resolution Limited	
	Terrace Hill retail Partnership General Partner Limited	
	Terrace Hill retail Partnership Limited	
	Terrace Hill Runway Management Limited	
	Terrace Hill Southampton Limited	
	Ill Acre Site Management Company Ltd	
	Manhattan Gate Management Company Limited	
	Middlehaven Properties 2 Ltd	
	Middlehaven Properties Limited	
	Mount York Estates Limited	
	NC (RES) Limited	

<i>Name</i>	<i>Current</i>	<i>Past</i>
Jon Austen (continued)	Neill Clerk Energy (US) Limited Nimbus (Aeropark) Management Limited Paisley Pattern Homes Limited Park Circus Registrars Limited PCG Investments Limited PCG Residential Lettings (No.3) Limited PCG Residential Lettings (No.7) Limited PCG Residential Lettings Limited PCG Residential Limited Platts Eyot Limited Port Hampton Limited Second Terrace Hill Investing Second Park Circus Investing Second South Eastern Recovery Investing Silverwood Cobham LLP South Eastern Recovery II Limited Spath Holme Limited Spath Holme Limited T.H. (Development Partnership) Limited Tannochside Estates Limited Thanet Reach Estates Limited Two Orchards Holdings Limited Westview Investments Limited Whiston Investments Limited	
Robert Adair	Blair Underwriting Limited Butters Group Limited Castell Underwriting Limited Consolidated General Minerals Plc Dart Films LLP David Scott Underwriting Limited Earthrapid Limited Terrace Hill Lettings Terrace Hill Residential Plc ICP Capital Limited ICP General Partner Limited ICP Holdings Limited Nameco (No. 921) Limited Pen Hill LLP Rudyco Limited Simcla Limited Skye Holdings Limited Skye Investments Limited Tay Hotel (Dundee) LLP The Invicta Film Partnership No.34 LLP The Invicta Film Partnership No.37 LLP Westview Investments Limited	Broadspan Limited EarlyCall Limited Terrace Hill (Hampton) Limited Hurrian Resources Limited Ingenious Film Partners 2 LLP Leed Resources Plc Melrose Iraq Limited Melrose Mediterranean Limited Petroceltic Energy Limited Petroceltic Resources Plc Plexus Holdings Plc Skye Securities Limited Wharrels Hill LLP
June Barnes	2012 Homes Limited 2012 Housing Limited Bermuda Properties LLP East 2012 Limited East Legacy Limited East Potential East Regen Limited East Side Housing Limited East Thames Gateway Limited	East Place Limited East Thames Partnership Limited National Housing Federation School for Social Entrepreneurs

<i>Name</i>	<i>Current</i>	<i>Past</i>
June Barnes (continued)	East Thames Group Limited East Thames Services Limited East Treasury Limited Essex Homes Limited Foxtail Properties LLP Institute for Sustainability Stratford Renaissance Partnership Thames Gateway Homes Limited Thames Gateway Regeneration Limited	
Alan Dickinson	Brown Shipley & Co. Limited Carpetright plc Kennington Oval Limited Nationwide Building Society Willis Limited	Frogmore Property Company Limited Lombard North Central Public Limited Company
Robert Dyson	Barncabin Limited Manchester Building Society Robert W Dyson LLP	Abbey House Ventures Limited Pennine Land Limited Shawbrook Bank Limited
Duncan Hunter	EQL Capital Limited Intrinsic Partners Limited	Ingenious Film Partners LLP Ingenious Film Partners 2 LLP Interiyeu Limited
Mark Tagliaferri	AAIM Lagonda Purchaser Limited AAIM Nominee 1 Limited AAIM Turbo LLP Active Asset Investment Management Limited Buckingham Capital LLC Cadogan Residents Association Limited Fifteen Finance LLC G.I. International LP G.I. Manager LP G.I. Partners U.K. Limited GI GP I LP GI GP III LLC GI GP III LP GI GP LLC GI Holdings I LP GI Holdings III LP GI International LLC GI Manager LLC GI Partners Europe Limited GI Partners LLP JCCO 114 Limited (in creditors voluntary liquidation) JCCO 156 Limited Lagonda Bidco A Limited Lagonda Newco A Limited Lagonda Newco B Limited Lagonda Newco C Limited Leafrange Limited Peakrain Limited Urban&Civic Limited Urban&Civic Rugby (Member) Limited Urban&Civic Rugby Limited Stratford Healthcare Limited Synergy Sunrise (Bowthorpe) Limited	AAIM Capital Ltd AAIM Group Limited AAIM India Investment Limited AAIM India Limited AAIM Infrastructure Limited AAIM Secretarial Services Limited Dome Bidco Limited Dome Capital S.à. r.l. Dome Finance S.à. r.l. Dome Holdings Limited George Hotel Investments Limited JCCO 157 Limited Lagonda George Holdings Limited Lagonda Leeds Propco Limited Lagonda Palace Propco Limited Lagonda Russell Propco Limited Lagonda Selsdon Propco Limited Lagonda York Propco Limited Piccadilly Licensed Properties LLC Red Heron Red Heron UBTI Stanley Stanley Holdco SCA Stanley Primus Symmetry Arena S.à. r.l. (in administration) Symmetry Ventura 2 Limited Thorium Limited Williffee Limited

<i>Name</i>	<i>Current</i>	<i>Past</i>
Mark Tagliaferri (continued)	Synergy Sunrise (Broadlands) Limited Synergy Sunrise (Scarles Yard) Limited Synergy Sunrise (Sentinel House) Limited Synergy Sunrise (Wellington Row) Limited Synergy Sunrise (Yorkshire House) Limited The Walks Huntingdon (No.1) Management Company Limited UK USC Holdings LLC Urban&Civic Alconbury Limited Urban&Civic Limited Urban&Civic Rugby Limited Urban&Civic Rugby (Member) Limited SUE GP Nominee Limited	
Nick Gaskell	Inside Track 2 LLP Inside Track 3 LLP Queen Elizabeth's School Barnet Rysaffe Secretaries Saffery Champness Trustees Limited Skye Investments Limited The Film Development Partnership II LLP	Ingenious Film Partners 2 LLP Saffery Champness Corporate Finance Limited
Will Wyatt	Avanti Communications Group Plc Caledonia Investments Plc Caledonia Land & Property Limited Caledonia Sloane Gardens Limited Cayzer Property Investments Limited Cayzer Property Management Limited Crewkerne Investments Limited The Cayzer Trust Company Limited The Dunchurch Lodge Stud Company Urquhart Engineering Company Limited	Bristow Aviation Holdings Limited Nova Capital Group Limited Omniport Holdings Limited Petroceltic Resources Plc Seven Publishing Group Limited St. Lawrence Properties Limited Sterling Industries Plc Sterling Process Engineering Limited Sterling Thermal Technology Limited T.C.L. Holdings Limited Thermo Engineers Limited
Richard Hepworth	Darlington & District Hospice Movement	Thomas Armstrong (Construction) Limited
Robert Lane	Decimus Park Management Limited Terrace Hill (Berkeley No.1) Limited Terrace Hill (Berkeley) Limited Terrace Hill (Christchurch) Limited Terrace Hill (Croydon) Limited Terrace Hill (Maidenhead) Limited Terrace Hill (Miscellaneous Properties) Limited Terrace Hill (Pinewood) Limited Terrace Hill (Property Developments) No.1 Limited Terrace Hill (Secretaries) Limited Terrace Hill (Tunbridge Wells) Limited Terrace Hill (Wilton Road) Holdings Limited Terrace Hill Developments Limited Terrace Hill Estates Limited	Grosvenor Land (North) Limited Grosvenor Land (South) Limited Grosvenor Land Holdings Limited Terrace Hill (Crawley) Limited Terrace Hill Properties Limited Outergolden Limited Peak Village Estates Limited Plymouth & Exeter Properties Limited TL (Developments) Limited

<i>Name</i>	<i>Current</i>	<i>Past</i>
Robert Lane (continued)	Terrace Hill Limited Terrace Hill North East Limited PCG Investments Limited Platts Eyot Limited Port Hampton Limited Tannochside Estates Limited Thanet Reach Estates Limited	
Tim Leathes	–	–
Duncan McEwan	Terrace Hill (Heaton Park) Management Limited Terrace Hill Limited	
Adam Pratt	Brabazon Park Management Company Limited Terrace Hill (Redcliff Street) Limited Terrace Hill (Swansea) Limited Terrace Hill (Victoria Street) Limited Terrace Hill Developments Limited Terrace Hill Limited	Terrace Hill (Bristol) Limited Terrace Hill (Strand Street) Limited Terrace Hill (Taunton) Limited Terrace Hill (Templar) Limited Terrace Hill (Templar) Nominee Limited Terrace Hill (Weston) Limited
James Scott	County Hall Management Company (Courtyard) Limited East Place Limited East Thames Partnership Limited Geodemos Limited Urban&Civic Rugby Limited Urban&Civic Rugby (Member) Limited SUE GP Nominee Limited	Blueco Limited Chelmsford Meadows (General Partner) Limited First Base Limited Warrington (General Partner) Limited Warrington Nominee Limited
Nigel Wakefield	Terrace Hill Developments Limited Terrace Hill Mayflower Plaza Limited Terrace Hill Runway Management Limited Terrace Hill Southampton Limited	Brampton Road Trade Park Management Company Limited Terrace Hill (Guildford No.1) Limited Peak Village Estates Limited
David Wood	–	–

Save as indicated above, none of the Directors, the Proposed Directors or Senior Managers has performed any business activities outside the Enlarged Group which are significant with respect to the Enlarged Group.

- 6.3 Save as disclosed in paragraphs 6.4 to 6.7 (inclusive) below, none of the Directors, the Proposed Directors or Senior Managers has at any time within the last five years:
- 6.3.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;
 - 6.3.2 been adjudged bankrupt or the subject of any individual voluntary arrangement;
 - 6.3.3 had a receiver appointed with respect to any assets belonging to him;
 - 6.3.4 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies);
 - 6.3.5 been disqualified by a court from acting as a director or other officer of any company or from acting in the management or conduct of the affairs of any company;
 - 6.3.6 been a partner in a partnership which, while he was a partner or within 12 months of his ceasing to be a partner, was put into compulsory liquidation or administration or entered into any partnership voluntary arrangement, or had a receiver appointed over any partnership asset; or

- 6.3.7 been a director or senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or which entered into any company voluntary arrangement or any composition or arrangement with its creditors generally or any class of creditors, at any time while he was a director or senior manager of that company or within 12 months after his ceasing to be a director.
- 6.4 Philip Leech and Jon Austen were both directors of Two Orchards Limited, a joint venture between the Company and Hypo Bank which went into administration in May 2011.
- 6.5 Mark Tagliaferri was a director of JCCO 114 Limited (formerly known as AAIM Limited), which went into administration in December 2008 and the administrators became liquidators on 19 November 2012. As at the Latest Practicable Date, the creditors voluntary liquidation process is still ongoing.
- 6.6 Mark Tagliaferri is also a director of Symmetry Arena S.à.r.l. which went into Luxembourg insolvency proceedings on 11 February 2013. As at the Latest Practicable Date, the proceedings are still ongoing.
- 6.7 June Barnes is a director of East Thames Group Limited ("ETG"). In April 2013, the HCA issued a regulatory judgement which downgraded ETG's governance rating as result of failing demonstrate compliance with the rent standard governance and financial viability standard set by the HCA.
- 6.8 There are no family relationships between any of the Directors, the Proposed Directors or Senior Managers.
- 6.9 Pursuant to the terms of the Relationship Agreement, under which GIP U&C has the right to nominate one non-executive director to the Board, the Company has agreed to appoint Mark Tagliaferri as a non-executive director of the Company, conditional on Admission. The appointment is subject to termination by either party on not less than three months' notice. Mr Tagliaferri is not entitled to an annual fee but pursuant to the Relationship Agreement an annual fee of £40,000 is payable to the GI Group. Mark Tagliaferri represents the GI Group and therefore may have a potential conflict of interest. Immediately following Admission, GIP U&C will be interested in approximately 28.9 per cent. of the Company's Enlarged Share Capital and will have the largest shareholding in the Company¹. Save as set out above, none of the Directors, the Proposed Directors or Senior Managers has any potential conflicts of interest between their duties to the Company and their private interests or their duties to third parties.
- 6.10 For details of the restrictions agreed by the Directors, the Proposed Directors and Senior Managers on the disposal of their holdings in the share capital of the Company, see paragraph 16.1.3 of this Part 20.

7. EMPLOYEES

7.1 Terrace Hill

Terrace Hill employed 27 full-time employees and no temporary employees on average during the financial year ended 30 September 2013, 31 full-time employees and no temporary employees on average during the financial year ended 30 September 2012 and 35 full-time employees and no temporary employees on average during the financial year ended 30 September 2011.

7.2 Urban&Civic

Urban&Civic employed 14 full-time employees and no temporary employees on average during the financial year ended 31 December 2013, 13 full-time employees and no temporary employees on average during the financial year ended 31 December 2012 and 12 full-time employees and no temporary employees on average during the financial year ended 31 December 2011.

¹ Assuming that the Company issues 75,555,556 Placing Shares (excluding any Employee Shares).

8. BOARD PRACTICES

8.1 Corporate governance

The Company is classified and, following the Acquisition will continue to be classified, as a “smaller” company for the purposes of the Corporate Governance Code. The Directors and the Proposed Directors support high standards of corporate governance and comply and intend to comply with the Corporate Governance Code, to the extent appropriate and as it applies to smaller companies. Currently, the Board is composed of six members, including one independent non-executive director. On Admission, the Enlarged Board will include at least two independent non-executive directors. The Corporate Governance Code recommends that, in the case of smaller companies which are below the FTSE 350, at least two non-executive members of the board of directors should be independent in character and judgment and free from relationships or circumstances which are likely to affect or could appear to affect, their judgment. The Company will be in compliance with this recommendation following Admission.

8.2 Audit Committee

The following is a summary of the terms of reference under which the Audit Committee will operate following Admission. Information as to the composition of the Audit Committee is contained in paragraph 8.5 below.

The Audit Committee will comprise of at least two independent non-executive directors and meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. The external auditor and finance director will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary. The committee will consider the appointment and fees of the external auditors and discuss the scope of the audit and its findings. The committee will also be responsible for monitoring compliance with accounting and legal requirements and for reviewing the annual and interim financial statements.

The Audit Committee shall:

- (a) monitor the integrity of the financial statements of the Enlarged Group, including its annual and half yearly results, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Enlarged Board on significant financial reporting issues and judgments which they contain having regard to matters communicated to it by the auditor. The Audit Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;
- (b) review and challenge where necessary:
 - (i) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Enlarged Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible; whether the Enlarged Group has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - (iii) the clarity and completeness of disclosure in the Enlarged Group’s financial reports and the context in which statements are made; and
 - (iv) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management;
- (c) where the committee is not satisfied with an aspect of the proposed financial reporting by the company, report its views to the Enlarged Board;
- (d) keep under review the adequacy and effectiveness of the Enlarged Group’s internal financial controls and internal control and risk management systems;
- (e) monitor and review the effectiveness of the Enlarged Group’s internal audit function in the context of the Enlarged Group’s overall risk management system; and
- (f) approve the appointment or termination of appointment of the head of internal audit.

8.3 **Remuneration Committee**

The Remuneration Committee will consider and approve the remuneration and benefits of the directors of the Company.

The committee will comprise two independent non-executive directors as set out in paragraph 8.5 below. Other individuals such as the managing director, the head of human resources and external advisers may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

The Remuneration Committee shall:

- (a) have responsibility for setting the remuneration policy for all executive directors, the Company’s chairman and the company secretary, including pension rights and any compensation payments. The Enlarged Board itself, or where required by the Company’s articles of association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the articles of association. No director shall be involved in any decisions as to their own remuneration; and
- (b) in determining such policy, take into account all factors which it deems necessary including relevant legal and regulatory requirements, and the provisions and recommendations of the Corporate Governance Code.

The Remuneration Committee will consider the need to attract, retain and motivate executive directors in determining appropriate remuneration policies and packages. It will also take into account the internal pay and benefits practice and employment conditions both within the Enlarged Group as a whole and within the particular national context. External comparisons will examine equivalent roles in similar companies taking into account their size, business complexity, internal scope and relative performance. Consideration will also be given to the risks arising from market comparisons and inappropriate performance criteria.

8.4 **Nomination Committee**

The Nomination Committee will review the structure, size and composition (including the balance of skills, knowledge and experience) of the Enlarged Board and its committees, and review succession planning for the Enlarged Board.

The Nomination Committee will meet at least once a year to select and recommend changes to the Enlarged Board and its committees, including the nomination of chairman of the Enlarged Board, chairmen of certain committees and senior independent non-executive directors. It will also ensure compliance with statutory, legal, and other regulatory requirements. Information as to the composition of the Nomination Committee is contained in paragraph 8.5 below.

8.5 **Constitution of Audit, Remuneration and Nomination Committees**

On Admission, the Company’s audit, remuneration and nomination committees will be constituted as follows:

<i>Committee</i>	<i>Members</i>
Audit	Duncan Hunter (Chairman) June Barnes Alan Dickinson
Remuneration	Robert Dyson (Chairman) Duncan Hunter Mark Tagliaferri
Nomination	Alan Dickinson (Chairman) June Barnes Mark Tagliaferri

8.6 **Model Code**

The Company has established and, following Admission, intends to continue to comply with a code of securities dealing equivalent to the Model Code incorporated into the Listing Rules. The code applies to the Directors and relevant employees of the Terrace Hill Group (or, following Completion, the Enlarged Group).

9. **PERFORMANCE SHARE PLAN**

The Performance Share Plan was adopted on 24 January 2006 and has been amended with effect from Admission. Employees of the Terrace Hill Group (or, following Completion, the Enlarged Group) may be granted options or conditional awards to acquire Ordinary Shares ("Awards"). The Performance Share Plan is and will, on Admission, continue to be operated by the Remuneration Committee. The Remuneration Committee has discretion to decide which employees will be granted Awards and whether Awards will be granted subject to performance conditions. Awards granted to executive directors will be subject to performance conditions.

9.1 **Grant of awards**

Awards may be granted subject to certain performance conditions having been met. They may not be granted after 23 January 2016. Following Completion awards may usually only be granted within six weeks following the Company's announcement of its results for any period as well as at any other time when the Remuneration Committee considers there are sufficiently exceptional circumstances which justify the granting of awards, so long as they are not granted after 23 January 2016.

No payment is required for the grant of an Award. Awards are not transferable, except on death. Awards are not pensionable. Unless the Remuneration Committee in its discretion decides otherwise, Awards will lapse upon the participant's bankruptcy.

9.2 **Vesting period**

Awards vest three years after grant (or on such other date or dates that the remuneration committee determines prior to the grant of awards) to the extent that any applicable performance conditions have been satisfied and provided that the participant is still employed in the Terrace Hill Group. Vested shares (if any) held by executive directors will be subject to a two year holding requirement.

As a general rule, an Award will lapse upon a participant ceasing to hold employment or to be a director in the Terrace Hill Group (or, following Completion, the Enlarged Group).

However, if a participant ceases to be an employee or a director because of his death, injury, disability, retirement with the agreement of the Remuneration Committee or his employing company or the business for which he works being sold out of the Terrace Hill Group (or, following Completion, the Enlarged Group) or in other circumstances at the discretion of the Remuneration Committee, then, in respect of Awards granted before Completion, his Award will vest on the date he ceases such employment or office (or if the Remuneration Committee so determines, the first date after cessation of employment on which the Company announces its results). The extent to which an Award will vest in these situations will depend upon the extent to which any applicable performance conditions have been satisfied. In respect of Awards granted on or after Completion, his Award will vest on the date it would have vested had he not ceased such employment, unless the Remuneration Committee decides that his Award will vest on the date he ceases such office or employment. The extent to which an Award will vest in these situations will depend on two factors: (i) the extent to which any applicable performance conditions have been satisfied by reference to the date of cessation; and (ii) pro-rating of the Award to reflect the reduced period of time between its grant and vesting, although the Remuneration Committee can decide not to pro-rate if it regards it as inappropriate to do so in the particular circumstances.

An Award granted to a participant who is a good leaver and which has been structured as an option may be exercised (to the extent it vests) for a period of 12 months from its vesting. If, however, an option held by a good leaver is already exercisable on cessation of employment, it may be exercised for a period of 12 months following cessation of employment.

Options are exercisable from their vesting until the day before the tenth anniversary of grant (or for such other period as determined by the remuneration committee at the time of grant) unless they lapse earlier.

As at the date of this document only nominal cost options have been granted as set out in paragraph 4.2 of this Part 20 and there are 13,276,581 existing unexercised awards.

9.3 **Corporate events**

On a takeover or winding up of the Company (which is not an internal corporate reorganisation) all awards will vest early subject to the extent that any performance conditions have been satisfied at that time and, in respect of Awards granted after Admission only, pro-rating of the Awards to reflect the reduced period of time between their grant and vesting, although the Remuneration Committee can decide not to pro-rate Awards if it regards it as inappropriate to do so in the particular circumstances. Awards structured as options then remain exercisable for a limited period.

In the event of an internal corporate reorganisation, the Remuneration Committee may determine that awards will be replaced by equivalent new awards over shares in a new holding company.

9.4 **Participant's rights**

Conditional awards of Ordinary Shares and options do not confer any shareholder rights until the conditional awards of Ordinary Shares have vested or the share options have been exercised and the participants have received their Ordinary Shares.

Any shares allotted when an Award vests or is exercised will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

9.5 **Variation of capital**

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of Ordinary Shares, the Remuneration Committee may make such adjustment as it considers appropriate to the number of Ordinary Shares subject to an award and/or the exercise price payable (if any). An adjustment will be made in connection with the proposed Share Consolidation.

9.6 **Overall plan limit**

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent. of the issued ordinary share capital of the Company under the Performance Share Plan and any other employee share plan adopted by the Company.

Treasury shares will count as new issue shares for the purposes of this limit unless institutional investors decide that they need not count. New shares issued to an employee benefit trust count for the purpose of this limit.

9.7 **Individual limit**

An employee may not receive Awards in any financial year over shares having a market value in excess of 200 per cent. of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or re-election, this limit is increased to 300 per cent. of an employee's base salary.

9.8 **Alterations to the Performance Share Plan**

The Remuneration Committee may, at any time, amend the Performance Share Plan in any respect, provided that the prior approval of the Shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of shares, the basis for determining a participant's entitlement to, and the terms of, the shares acquired, and the adjustment of awards that may be made in the event of any variation of capital.

The requirement to obtain the prior approval of the Shareholders does not apply to any minor alteration made to benefit the administration of the Performance Share Plan, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

9.9 **Employee Benefit Trust**

The Company established the Employee Benefit Trust on 11 July 2006. The Employee Benefit Trust may acquire Ordinary Shares by market purchase or subscription. The Employee Benefit Trust is used to satisfy awards made under the Performance Share Plan. The Employee Benefit Trust currently holds 1,020,000 Ordinary Shares. The Employee Benefit Trust may not, at any time without Shareholder approval, hold more than five per cent. of the issued ordinary share capital of the Company.

9.10 **Clawback**

In accordance with best practice, the rules of the Performance Share Plan include a clawback provision whereby Awards can be clawed back in certain circumstances.

9.11 **Holding requirement**

The Remuneration Committee intends to operate a holding period such that the Executive Directors will be required to retain their net of tax number of vested shares (if any) delivered under the Performance Share Plan (or the full number of vested shares whilst held under an unexercised option) for at least two years from the point of vesting.

10. **WORKING CAPITAL**

The Company is of the opinion that, after taking into account available bank and other facilities and the Net Proceeds to be received by the Company, the Terrace Hill Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

11. **SIGNIFICANT CHANGE**

11.1 **Terrace Hill**

There has been no significant change in the financial or trading position of the Terrace Hill Group since 31 December 2013, the date to which the financial information on the Terrace Hill Group set out in section B of Part 17 of this document has been prepared.

11.2 **Urban&Civic**

There has been no significant change in the financial or trading position of the Urban&Civic Group since 31 December 2013, the date to which the Accountants' report on the Urban&Civic Group set out in Part 16 of this document has been prepared.

12. **LITIGATION**

12.1 **Terrace Hill**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Terrace Hill is aware), which during the 12 month period prior to the publication of this document may have, or have had in the recent past, significant effects on Terrace Hill or the Terrace Hill Group's financial position or profitability.

12.2 **Urban&Civic**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Urban&Civic is aware), which during the 12 month period prior to the publication of this document may have, or have had in the recent past, significant effects on Urban&Civic or the Urban&Civic Group's financial position or profitability.

13. INVESTMENTS

- 13.1 Since 1 October 2010, the Company has made no principal investments.
- 13.2 The Terrace Hill Board has made no firm commitments for future investments by the Company.

14. PROPERTY, PLANT AND EQUIPMENT

- 14.1 The following are summary details of the material leased properties of the Terrace Hill Group:

<i>Lessee</i>	<i>Leased premises</i>	<i>Current rent per annum exc. VAT</i>	<i>Current use</i>	<i>Area</i>
Company	Part ground floor, Westminster, St Mark's Court, Thornaby, Stockton-on-Tees, Cleveland	£69,712	Office premises	4,227 sq. ft.
Company	1 Portland Place, London, W1B 1PN	£846,000	Office premises	18,720 sq. ft.
Company	3 Portland Place, London, W1B 1PN	£362,300	Office premises	8,405 sq. ft.

- 14.2 There are no environmental issues that may affect the Terrace Hill Group's utilisation of any tangible fixed assets nor any encumbrances over any of the lease properties listed above.

- 14.3 The following are summary details of the material leased properties of the Urban&Civic Group:

<i>Lessee</i>	<i>Leased premises</i>	<i>Current rent per annum exc. VAT</i>	<i>Current use</i>	<i>Area</i>
Urban&Civic Limited	6-10 Mount Row, London W1K 6SA	£167,717	Office premises	4,246 sq.ft

- 14.4 There are no environmental issues that may affect the Urban&Civic Group's utilisation of any tangible fixed assets nor any encumbrances over any of the lease properties listed above.

15. FINANCIAL INFORMATION

- 15.1 The financial information in this document does not amount to statutory accounts within the meaning of section 441 of the Act.
- 15.2 BDO, a member firm of the Institute of Chartered Accountants in England and Wales, audited the statutory accounts of the companies comprising the Terrace Hill Group for the three months to 31 December 2013 and the financial years ended 30 September 2013, 2012 and 2011. The auditors of those companies have made reports under section 495 of the Act in respect of these statutory accounts and each such report was an unqualified report and did not contain a statement under section 495(4) of the Act.
- 15.3 KPMG LLP, a member of the Institute of Chartered Accountants in England and Wales, audited the statutory accounts of the companies comprising the Urban&Civic Group for the financial years ended 31 December 2013, 2012 and 2011. The auditors of those companies have made reports under section 495 of the Act in respect of these statutory accounts and each such report was an unqualified report and did not contain a statement under section 495(4) of the Act.

16. MATERIAL CONTRACTS

16.1 Terrace Hill

Set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Terrace Hill Group:

- within the two years immediately preceding the date of this document and which are or may be material to the Terrace Hill Group; or
- which contain any provision under which any member of the Terrace Hill Group has any obligation or entitlement which is material to the Terrace Hill Group as at the date of this document.

16.1.1 *Placing Agreement and lock-in and orderly market arrangements with the Company, the Principal Shareholders, certain Directors and the Proposed Directors*

On 28 April 2014, the Company, the Enlarged Board, the Principal Shareholders, Urban&Civic Limited and the Joint Bookrunners entered into the Placing Agreement pursuant to which the Joint Bookrunners have agreed, subject to the execution by the Company, Urban&Civic Limited and the Joint Bookrunners of the Placing Memorandum and other terms and conditions, to severally procure acquirers, or failing which to acquire for themselves, at the Placing Price, the Ordinary Shares to be issued pursuant to the Placing.

The Placing Agreement contains, amongst others, the following further provisions:

- the Company has appointed J.P. Morgan Cazenove and Oriel Securities as Joint Bookrunners in connection with the Placing;
- the obligations of the Joint Bookrunners to procure acquirers for, or failing which, to acquire the Ordinary Shares themselves pursuant to the Placing Agreement, are subject to certain conditions that are typical for an agreement of this nature including, amongst others, execution of the Placing Memorandum, the Placing Memorandum including a number of Placing Shares sufficient to raise not less than £170 million of gross proceeds for the Company in the Placing following completion of the bookbuilding process, Admission having occurred by not later than 8.00 a.m. (London time) on 22 May 2014 (or such later time and/or date as the Joint Bookrunners may agree, not being later than 31 May 2014) and there having occurred no material adverse effect in relation to the Company or the Enlarged Group prior to Admission. The Joint Bookrunners may terminate the Placing Agreement in certain customary circumstances prior to Admission, including the occurrence of certain material changes in the condition (financial or otherwise) of the Company or the Enlarged Group and certain changes in market and economic conditions. The Placing Agreement will become unconditional, and the Joint Bookrunners' right to terminate the Placing Agreement will cease from Admission;
- subject to, among other things, the conditions set out in the Placing Agreement having been satisfied or waived and the Placing Agreement not having been terminated prior to Admission, the Company has agreed that the Joint Bookrunners may deduct from the proceeds of the Placing payable to the Company a commission of 1.75 per cent. of the amount equal to the Placing Price multiplied by the aggregate number of Placing Shares agreed to be issued by the Company in the Placing, other than Placing Shares to be subscribed by any of the Directors, together with an amount equal to any applicable value added tax payable thereon;
- the Company has agreed to pay or cause to be paid (together with, in each case, any related value added tax) certain costs, charges, fees and expenses of, or in connection with, or incidental to, amongst other things, the Placing and/or Admission;
- the Company has undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date six months after the date of Admission, not to (and to procure that none of its affiliates will) issue, offer, pledge, sell, issue or grant options, rights or warrants in respect of, contract to issue, pledge or sell, or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Placing Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than pursuant to employee stock option plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of the Placing Agreement and in each case described in this document) or to enter into any agreement, commitment or arrangement which provides for the issue, offer or sale of Ordinary Shares or to do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Bookrunners;

- (f) the Company has undertaken, amongst other things, not to (and shall procure that no member of the Enlarged Group will), between the date of this document and the date falling 90 days after Admission, enter into any agreement, commitment or arrangement which is or may be material in the context of the business or affairs of the Enlarged Group or in relation to the Placing without first having obtained the consent of the Joint Bookrunners and for a period of a further 90 days has agreed not to do any of the foregoing without consulting with the Joint Bookrunners;
- (g) the members of Enlarged Board, other than Robert Adair, have severally undertaken, amongst other things, during the period beginning on the date of this document and continuing to and including the date 365 days after the date of Admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions as provided in the Placing Agreement, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities (other than upon the conversion or exchange of convertible or exchangeable securities outstanding as of the date of the Placing Agreement and in each case described in this document), or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Bookrunners;
- (h) the Company, the Principal Shareholders, the Enlarged Board and certain family trusts of Robert Adair have given certain representations and warranties to the Joint Bookrunners; Nigel Hugill and Robin Butler have given certain representations and warranties in relation to the Urban&Civic Group to the Company; and in addition, the Company, the Principal Shareholders and certain family trusts of Robert Adair have given certain indemnities to the Joint Bookrunners. The Company's liabilities are unlimited as to time and amount and the liabilities of the Principal Shareholders, the Directors and the Proposed Directors are limited as to time and amount; and
- (i) Urban&Civic Limited has given certain undertakings to the Joint Bookrunners in relation to the Rugby Acquisition.

16.1.2 **Lock-in agreement with GIP U&C**

Under an agreement dated 28 April 2014, GIP U&C has undertaken to the Joint Bookrunners and the Company, amongst other things, during the period ending 365 days from the date of Admission, not to offer, pledge, sell, contract to sell or pledge, issue options, rights or warrants in respect of or otherwise dispose of, directly or indirectly, except for customary exceptions, any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities, or do anything with the same economic effect as any of the foregoing, without the prior written consent of the Joint Bookrunners, provided that the undertaking above does not apply in respect of (i) Ordinary Shares issued in respect of the exercise of options from time to time under the Performance Share Plan or (ii) Ordinary Shares purchased in the market by GIP U&C (or its associates) after Admission.

16.1.3 **Orderly market agreements with Robert Adair and certain of his family trusts**

Pursuant to agreements dated 28 April 2014, Robert Adair (for himself and on behalf of his trusts) and certain of his family trusts have severally undertaken to the Joint Bookrunners and the Company, amongst other things, during the period beginning on the date of this document and continuing to and including the date 365 days after the date of Admission, not to sell or contract to sell any Ordinary Shares or any securities of the Company that are substantially similar to the Ordinary Shares, including but not limited to any securities that are convertible into, or exchangeable for, or that represent the right to receive, Ordinary Shares or any such substantially similar securities or do anything with the same economic effect as any of the foregoing, unless Robert Adair, or, as the case may be, his relevant trust or the relevant family trust notifies Oriel Securities no later than three business days prior to the date of any such proposed transaction and have agreed to execute any such transaction through Oriel Securities on a best price and execution basis and to take into account all reasonable requirements of Oriel Securities in relation to the timing and execution of the transaction. Robert Adair has further undertaken to use all reasonable endeavours to procure that each of his trusts complies with the terms of the agreement.

16.1.4 **Acquisition Agreement**

Under an agreement dated 28 April 2014 between the Sellers and the Company, the Company agreed to acquire from the Sellers the entire issued share capital of Urban&Civic together with all of the debt comprised in all the outstanding preferred equity certificates as at Completion (all of which are also held by the Sellers). The Acquisition Agreement provides for the issue of 43,084,456 Consideration Shares to the Sellers, valuing Urban&Civic at approximately £95.3 million on the basis of the middle market closing price of Ordinary Shares on the Latest Practicable Date (adjusted to reflect the Share Consolidation), a valuation based on the net asset value of Urban&Civic.

The Sellers have each provided warranties in respect of title to shares held by them in Urban&Civic and capacity to enter into the Acquisition Agreement. In addition, Nigel Hugill and Robin Butler have through the Placing Agreement provided to the Company and the Joint Bookrunners certain limited business warranties in relation to the Urban&Civic Group, subject to a cap on liability of £1 million each.

The existing Urban&Civic facility with The Royal Bank of Scotland (summarised at paragraph 16.2.5 below) will remain in place following Completion, but following Completion there will be no debt obligations owed by Urban&Civic to the Sellers or their associates. The preferred equity certificates and accrued interest will be capitalised following Completion in exchange for an issue of ordinary shares of Urban&Civic (and so eliminated).

16.1.5 **Irrevocable undertakings**

Caledonia Investments plc, the Directors who hold Ordinary Shares and certain family trusts of Robert Adair entered into irrevocable undertakings to the Company, dated 28 April 2014, that in the case of Robert Adair and certain family trusts, so far as they are able:

- (a) they will vote in favour of the Resolution;
- (b) they will vote against any resolution or proposal to adjourn the General Meeting (or any adjourned meeting);
- (c) they will vote against any resolution or proposal to amend the Resolution; and
- (d) if the Resolution fails on a show of hands, insofar as they are reasonably able to do so, they will call a poll on such Resolution.

16.1.6 **Relationship Agreement**

Under the terms of an agreement dated 28 April 2014 between the Company, GIP U&C and GI Partners, which is conditional upon Admission, GIP U&C has agreed that:

- (a) all transactions or arrangements entered into between any member of the Enlarged Group and any members of the GI Group shall be on arm's length and normal commercial terms;
- (b) the Company will be enabled to operate independently of GIP U&C and its Associates. This will include a majority of the board being independent of GIP U&C at all times. For clarity, for these purposes, the independent directors may, for this purpose, include certain of the Executive Directors;
- (c) GI Partners will have the right to nominate one non-executive director to the Board for so long as it holds, or is interested in, at least 10 per cent. of the issued share capital of the Company from time to time;
- (d) it and its Associates will not propose or vote in favour of any resolution proposed to circumvent the proper application of the Listing Rules or vary the New Articles in a way which is contrary to the maintenance of the Company's independence, prevents the election of independent directors or is inconsistent with the agreement or the Listing Rules;
- (e) it and its Associates will not propose or vote in favour of any resolution intended to effect any de-listing from the Official List unless a majority of the independent Directors shall have voted in favour of such proposal; and
- (f) it and its Associates will not take any action to prevent the Company complying with the Listing Rules.

The Company has agreed that it shall ensure that (insofar as is within its power or control) the provisions of the agreement are observed. The Company has agreed to make certain information available to GIP U&C and GI Partners for a period of 12 months following a member of the GI Group ceasing to hold Ordinary Shares, subject to applicable law and it not being materially detrimental to the Enlarged Group. The agreement terminates upon the earlier of GIP U&C, together with any member of the GI Group, holding less than 10 per cent. of the issued share capital of the Company from time to time and the Ordinary Shares ceasing to be admitted to listing on the Official List.

16.1.7 **Settlement agreement with Robert Adair**

On 28 April 2014, Terrace Hill (Management) Limited (“Management Company”) and Robert Adair entered into a settlement agreement (the “Adair Settlement Agreement”) pursuant to which his employment with the Management Company will terminate with effect from Admission. Under the agreement, Mr Adair will receive a payment (less any tax and national insurance contributions) of (i) £300,000 in respect of his bonus for 2013 (referred to in paragraph 5.1 of this Part 20); (ii) £375,000 as compensation for loss of his employment; (iii) £325,000 as payment in lieu of his entitlement under the Performance Share Plan; and (iv) a bonus of £200,000 if the Enlarged Group receives an implementable planning consent for its site in Herne Bay, Kent.

16.1.8 **Facility Agreement – KBC Bank NV**

Terrace Hill and certain of its subsidiaries (as borrowers) entered into a £20 million facility agreement dated 19 June 2007 (as amended and supplemented from time to time), with KBC Bank NV as lender. The key terms of this facility agreement are set out below:

- (a) *Facility:* The facility consists of a £20 million term loan facility. The facility is available for drawdown, only with the written consent of the lender, until 30 days prior to 30 September 2015.
- (b) *Purpose:* The facility may be used for acquiring property or refinancing payments made by a borrower to acquire property.
- (c) *Interest and fees:* Advances under the facility bear interest at a rate equivalent to the relevant rate of LIBOR, plus an amount in respect of the lender’s cost of compliance with certain regulatory requirements, plus a margin of 3.65 per cent. per annum. Accrued interest is payable on the last day of the interest period relating to each loan. The relevant borrower may select interest periods for each loan of one, two or three months or any other period agreed with the lender. No interest period may extend beyond 30 September 2015.
- (d) Certain fees and expenses, including an arrangement fee, drawdown fee and repayment fee, are also payable.
- (e) *Repayment:* Each loan made under the facility is repayable on 30 September 2015, provided that any loan made under this facility to acquire or refinance property must be repaid within two years of the first utilisation for that property.
- (f) *Security:* The facility is secured by, amongst other things, (i) a legal mortgage over freehold land at Cargo Fleet Road and Marsh Road, Middlesbrough TS3 6AG; (ii) a legal mortgage over freehold land known as Grange Road, Christchurch, Dorset; (iii) a legal mortgage over freehold land known as Bristol Bridge House, 138–141 Redcliff Street, Bristol; and (iv) certain other property secured to the lender on a cross-collateralising basis by certain subsidiaries of Terrace Hill.
- (g) *Covenants:* The facility agreement requires Terrace Hill and Terrace Hill Limited to comply with the financial covenant that, unless otherwise agreed by the lender, the total amounts owed by Terrace Hill and its subsidiaries under the facility agreement and three other facility agreements with the same lender (dated 9 June 2006, 20 December 2004 and 12 October 2007 respectively) shall not exceed 65 per cent. of the value of the properties charged to the lender by the subsidiaries of Terrace Hill who are party to such facility agreements.

The facility agreement also contains further covenants which, amongst other things, restrict further unsecured borrowings, the creation of security (with permitted exceptions),

disposal of assets (with permitted exceptions), mergers and change of business, by borrowers under the facility other than Terrace Hill Limited.

- (h) *Events of default:* The facility agreement contains customary events of default including payment defaults, breaches of obligations, breaches of representation, cross-defaults, certain events of insolvency, change of control, material adverse change and failure of the facility agreement to be in full force and effect.
- (i) *Conditions precedent:* Further drawdown under the facility is conditional in particular on lender agreement in writing and the lender can refuse to permit a drawdown on any grounds whatsoever.

As part of the Placing and the Acquisition, Terrace Hill has received informal credit committee approval from KBC Bank which indicate that, subject to certain conditions the bank will waive the provision relating to a change of control causing an event of default. These conditions include the maturity date of the facilities being brought forward to 31 December 2014 and completion of the sale of a property in Croydon before 31 May 2014. The sale of the Croydon property is contracted to complete at the end of April 2014 and it is expected that the amendments required to the facility to change the maturity date will be made before Completion. Notwithstanding the foregoing, if for any reason such waiver does not become unconditional, the Enlarged Group intends to repay all outstanding borrowings in relation to the facility agreement and cancel the agreement. For a description of the amount of debt outstanding on a pro forma basis, see "Risk Factors – Breach of financial covenants and availability of funding" in Part 2 of this document.

16.2 **Urban&Civic**

Set out below is a summary of each contract (not being contracts entered into in the ordinary course of business) entered into by any member of the Urban&Civic Group:

- within the two years immediately preceding the date of this document and which are or may be material to the Urban&Civic Group; or
- which contain any provision under which any member of the Urban&Civic Group has any obligation or entitlement which is material to the Urban&Civic Group as at the date of this document.

16.2.1 **Rugby Acquisition Agreement**

On 16 April 2014, SUE LP entered into a conditional acquisition agreement to purchase the SUE site from RRSLP. The total consideration for the acquisition is £33.3 million (50 per cent. of which is to be paid by Urban&Civic) with a deposit of £1,666,000 paid to RRSLP on exchange.

The Rugby Acquisition Agreement is conditional on two outstanding conditions precedent being satisfied (or waived by SUE LP) being:

- (a) completion of arrangements to revise the Strategic Management Agreement (the "ProLogis Condition"); and
- (b) classification of the consideration payable by SUE LP to RRSLP as not being proceeds of sale which can be called upon by ProLogis as reimbursement of the cost of providing the strategic infrastructure works ("SIW") pursuant to the SMA (the "Waterfall Condition").

The target date for satisfaction of the conditions set out above is 30 September 2014. If the conditions have not been satisfied by the target date, SUE LP may waive the conditions.

If SUE LP waives the ProLogis Condition, the Co-Operation Agreement, details of which are set out at paragraph 16.2.2 below, will govern the interface between SUE LP, RRSLP and ProLogis.

If the SUE LP waives the Waterfall Condition, Urban&Civic agrees to advance funds for strategic infrastructure costs that may be payable by BT to ProLogis. Any such costs would only be due and payable if (i) the transfer to SUE LP is classified as proceeds of sale and (ii) costs have been incurred by ProLogis in these circumstances only. Urban&Civic's commitment to BT will be supported at completion of the transfer of the SUE site by a charge to BT over Urban&Civic's partnership interest

in SUE LP. Any such advance funding by Urban&Civic would subsequently be recouped from BT to the extent it exceeds SUE LP's obligation to pay two thirds of SIW Costs (defined below).

The Enlarged Board considers that these conditions are likely to be satisfied as part of RRSLP's wider discussions with ProLogis in respect of the DIRFT site.

Completion of the Rugby Acquisition Agreement will take place 30 working days after satisfaction (or waiver by SUE LP) of the conditions.

SUE LP will be responsible for two-thirds of the non-rail SIW (the "SIW Costs") and RRSLP will be responsible for the remaining one-third. RRSLP will remain responsible for all of the rail related SIW.

If the conditions set out above have not been satisfied (or waived) by 31 March 2015, either party may terminate the Rugby Acquisition Agreement without any further liability, save for the unwinding provisions that payments made by SUE LP from exchange (including the deposit) will be refunded and any land acquired by SUE LP will be transferred at cost to RRSLP.

16.2.2 Co-Operation Agreement

On 28 September 2012, RRSLP entered into the Strategic Management Agreement with ProLogis. The Strategic Management Agreement deals with the development management of the DIRFT site and also contains some provisions relating to strategic infrastructure works (the "SIW") for the benefit of both the DIRFT site and the SUE site.

RRSLP is in discussions with ProLogis to separate the SIW provisions relating to the SUE site. Upon conclusion of these arrangements, SUE LP will have a direct agreement with ProLogis in respect of any SIW relating to the SUE site. Pending completion of these revised arrangements, on 16 April 2014, RRSLP and SUE LP entered into the Co operation Agreement which governs how RRSLP will comply with its rights and obligations under the Strategic Management Agreement.

The Co-operation Agreement provides that the parties will act reasonably and in good faith to endeavour to vary/terminate the Strategic Management Agreement and put in place revised arrangements to assist with bringing forward the development of the DIRFT site and the SUE site.

16.2.3 Limited partnership agreement relating to SUE LP

On 16 April 2014, Urban&Civic Rugby Limited ("Urban&Civic Rugby") entered into a limited partnership agreement in relation to SUE LP with SUE GP LLP (as the general partner) and Aviva Life & Pensions UK Limited ("Aviva L&P") (as a limited partner) (the "SUE LPA"). SUE LP is a 50/50 joint venture vehicle between Urban&Civic Rugby and Aviva L&P. The SUE LPA provides for funding on a 50/50 basis unless one partner chooses not to fund in which case the other partner is entitled to do so. Profits and income are divided between the partners according to the capital contributed. If there is an event of default, the non-defaulting partner has the right to purchase the defaulting partner's share in the SUE LPA. The SUE LPA contains other provisions which are customary for an agreement of this nature.

16.2.4 Members' agreement relating to SUE GP

SUE GP LLP ("SUE GP") acts as the general partner of SUE LP. On 16 April 2014 SUE GP entered into a members' agreement with Urban&Civic Rugby (Member) Limited and Norwich Union (Shareholder GP) Limited (the "Members' Agreement").

The Members' Agreement provides for funding on an equal basis with profits being distributed equally. It also provides for certain deadlock matters to be referred to expert determination in the event of deadlock. In the event that one of the members becomes insolvent, the other member has the right to purchase its interest. The Members' Agreement contains other provisions which are customary for an agreement of this nature.

16.2.5 Facility agreement with The Royal Bank of Scotland Plc

Urban&Civic Alconbury Limited, a subsidiary of Urban&Civic has entered into a £9,482,720 revolving credit facility agreement dated 22 April 2014 (as borrower) with The Royal Bank of Scotland Plc as lender. The key terms of this facility agreement are set out below:

- (a) *Facility:* The facility consists of a £9,482,720 syndicated revolving credit facility. The facility is available for drawdown until five business days before 30 June 2015. The facility may be utilised by delivering a utilisation request to the lender three business days prior to the proposed utilisation date, subject to the request being for a minimum, and multiple, of £50,000.
- (b) *Purpose:* The facility may be used towards enabling works and planning, administrative and operating costs relating to the land at Alconbury Weald.
- (c) *Interest and fees:* Each loan under the facility bears interest at a rate equivalent to the relevant rate of LIBOR, plus an amount in respect of the lender's cost of compliance with certain regulatory requirements, plus a margin of 2.75 per cent. per annum. Interest is payable in relation to each loan on 15 January, 15 April, 15 July and 15 October in each year.
- (d) Certain fees and expenses, including a commitment fee, an arrangement fee, an agency fee, a security agent fee and a prepayment and cancellation fee, are also payable.
- (e) Urban&Civic Alconbury Limited must maintain hedging arrangements which have an aggregate nominal amount of at least 50 per cent. of the aggregate principal loan outstanding.
- (f) *Repayment:* Urban&Civic Alconbury Limited shall repay the loans in full on 30 June 2015.
- (g) *Mandatory prepayment:* If the share capital of the Company ceases to be listed for trading on the London Stock Exchange (or any other market on which securities would meet the HMRC definition of "Listed" for the purposes of section 1005 of the Income Tax Act 2007 in Austria, Belgium, Canada, France, Germany, Guernsey, Hong Kong, Italy, Ireland, Japan, Luxembourg, the Netherlands, Norway, Portugal, Spain or the USA) then the lender may declare all outstanding loans to be due and payable.
- (h) *Security:* The facility is secured by, amongst other things, security granted by Urban&Civic Alconbury over Urban&Civic Alconbury's holding of 2,000 ordinary shares of £1 each in Urban&Civic Alconbury Limited and any other assets related to those shares including dividends, interest and income paid and all other rights, benefits and proceeds.
- (i) The facility is also secured by, amongst other things, the security granted by Urban&Civic Alconbury Limited by way of a legal mortgage over the land at Alconbury Weald.
- (j) *Covenants:* Among a number of covenants typical for a facility of this type, the facility agreement requires Urban&Civic Alconbury Limited to comply with the financial covenants that: (i) the net rental income is at least 240 per cent. of the interest costs payable, (ii) the total amounts owed under the facility do not exceed 50 per cent. of the value of the properties charged, (iii) the total amounts owed under the facility do not exceed 950 per cent. of the rental income, and (iv) tangible net worth of the Terrace Hill Group is not less than £150 million.
- (k) *Events of default:* The facility agreement includes a number of events of default including payment defaults, breaches of financial covenants, breaches of obligations, misrepresentation, cross-defaults, events of insolvency, cessation of business, unlawfulness, repudiation of finance documents, compulsory purchase of the land at Alconbury Weald and material adverse change.
- (l) *Conditions precedent:* Any further drawdowns under the facility are conditional on there being no event of default, the representations remaining true, the net rental income being at least 240 per cent. of the interest costs payable and the amounts owed under the facility not exceeding 50 per cent. of the value of the properties charged in favour of the lender.

Urban&Civic Alconbury Limited may also not make any further drawdowns if there remain already three loans outstanding.

16.2.6 **Deed of termination in respect of a subscription and shareholders agreement**

On 6 November 2009, GI Partners, Nigel Hugill, Robin Butler, Ken James (together the "Shareholders") and Urban&Civic entered into a subscription and shareholders agreement in relation to Urban&Civic, which was subsequently amended on 17 November 2010, 25 March 2011 and 30 December 2011 (the "Shareholders' Agreement"). On 25 March 2011, James Scott adhered to the Shareholders' Agreement and became a member of Urban&Civic's management team. On 28 April 2014 the Shareholders entered into a deed of termination which terminates all provisions of the Shareholders' Agreement with immediate effect, conditional on Admission.

16.2.7 **Deed of termination in respect of a monitoring services agreement**

On 6 November 2009, Urban&Civic entered into a monitoring services agreement with GI International LP (acting by its general partner GI International LLC) under which GI International LP was appointed by Urban&Civic to provide transaction advice and monitoring services to Urban&Civic (the "Monitoring Services Agreement"). On 28 April 2014 the parties to the Monitoring Services Agreement entered into a deed of termination which terminates all provisions of the Monitoring Services Agreement with immediate effect, conditional on Admission.

16.2.8 **Deed of termination in respect of a transaction services agreement**

On 6 November 2009, Urban&Civic entered into a transaction services agreement with GI International LP (acting by its general partner GI International LLC) under which GI International LP was retained to provide certain transaction advisory services to Urban&Civic (the "Transaction Services Agreement"). On 28 April 2014 the parties entered into a deed of termination which terminates all provisions of the Transaction Services Agreement with immediate effect, conditional on Admission.

16.2.9 **Terms and conditions of the preferred equity certificates**

On 5 November 2009 and 25 March 2011, Urban&Civic issued a first series of preferred equity certificates (the "First Series PECs") in the aggregate amount of £17,593,546. On 5 November 2009 and 25 March 2011, Urban&Civic issued a second series of preferred equity certificates (the "Second Series PECs") in the aggregate amount of £14,069,752. On 31 August 2011, Urban&Civic issued a third series of preferred equity certificates (the "Third Series PECs") in the aggregate amount of £8,389,376 and, on the same date, it issued a fourth series of preferred equity certificates (the "Fourth Series PECs") in the aggregate amount of £3,121,068. On 28 November 2012, Urban&Civic issued a fifth series of preferred equity certificates (the "Fifth Series PECs") in the aggregate amount of £1 million, and on 24 February 2014, Urban&Civic issued a sixth series of preferred equity certificates (the "Sixth Series PECs" together with First Series PECs, the Second Series PECs, the Third Series PECs, the Fourth Series PECs, the Fifth Series PECs being the "PECs") in the aggregate amount of £4,985,091. The terms of the PECs are identical and the key terms are as follows:

- (a) *Rights:* With respect to payment rights, repurchase rights and rights upon liquidation of Urban&Civic, the PECs rank ahead of the shares and all other capital stock of Urban&Civic. However, they are subordinate to all other present and future obligations of Urban&Civic, whether privileged, secured or unsecured. The PECs rank *pari passu* with each other.
- (b) *Voting:* The holders of PECs are not entitled to any voting rights in respect of Urban&Civic by reason of their ownership of the PECs.
- (c) *Yield:* The return for any yearly period (or such shorter period if the PECs are redeemed earlier or Urban&Civic is liquidated earlier) (the "Accrual Period") shall be equal to 14.07 per cent. multiplied by the aggregate par value (being £1 in respect of each of the PECs) of each series of PECs (the "Yield"). The Yield accrues daily and is calculated on the basis of a 365-day year. The Yield will only be paid if Urban&Civic's board of directors so decide and only if Urban&Civic has sufficient funds available to settle its prior ranking liabilities after any such payment.
- (d) *Redemption at maturity:* Unless redeemed and cancelled early, Urban&Civic will redeem all of the PECs on the 49th anniversary of the date of issuance of such PECs. The par value of such PECs along with accrued and unpaid Yield will be payable only to the extent that Urban&Civic has, after any such payment, funds available to settle its prior ranking liabilities.
- (e) *Early redemption:* At any time after the date of issuance of the PECs, Urban&Civic may elect to redeem some or all of the PECs at a price per PEC equal to the sum of (i) the aggregate par value of the PECs to be redeemed and (ii) the Yield accrued on such PECs up to (and including) the date of payment. Early redemption shall only be carried out to the extent Urban&Civic has sufficient funds available to settle its liabilities to all creditors after such payment and does not cause Urban&Civic to become insolvent. Furthermore, early redemption shall be pro rata to all holders of the relevant series of PECs that are the subject of early redemption.
- (f) *Redemption on liquidation:* In the event of any voluntary liquidation of Urban&Civic, the holders of the PECs will be entitled to be paid a liquidation value for their PECs equal to the sum of (i) the par value of such PECs plus (ii) unpaid Yield accrued through the date fixed for such liquidation.

- (g) *Events of default:* The PECs contain a number of events of default including if Urban&Civic fails to pay or satisfy any liability to pay the full amount of any declared Yield on the applicable payment date, Urban&Civic fails to comply with certain restrictions in the PECs or Urban&Civic becomes insolvent (otherwise than as permitted by the terms of the PECs). Following the occurrence of an event of default which is continuing for more than 15 business days without cure, Urban&Civic's shareholders will be entitled to elect new directors to the board of Urban&Civic and those new directors will serve until such time as the event of default has been remedied.
- (h) *Transfers:* PECs can only be transferred or pledged to a non-shareholder where consent of Urban&Civic's shareholders representing at least three-quarters of the share capital of Urban&Civic has been obtained at a general meeting of shareholders.

The Company intends to contribute the PECs and accrued interest in exchange for the issue of new ordinary shares in Urban&Civic following Admission.

16.2.10 **Agreement with Silverbee Promotions Limited**

As part of the acquisition of Alconbury Weald by Urban&Civic Alconbury, Urban&Civic Alconbury entered into an agreement dated 6 November 2009 with Silverbee Promotions Limited ("SPL"). Under the terms of this agreement, Urban&Civic Alconbury must not (before 6 November 2016) dispose of certain parts of Alconbury Weald (the "Properties") other than by way of a "Permitted Disposal" (which includes a mortgage, charge and arm's length disposal). In certain circumstances, the Permitted Disposal will be subject to the transferee entering into a deed of covenant with SPL to observe and perform the obligations of Urban&Civic Alconbury contained in the agreement, or in the case of a chargee, not to exercise its power of sale and/or its power to appoint a receiver without procuring from any future buyer a deed of covenant with SPL to observe and perform the obligations of Urban&Civic Alconbury in the agreement.

In addition, any Permitted Disposal occurring will trigger the payment of £2,500,000 (plus VAT) by Urban&Civic Alconbury to SPL if it is a "Lucrative Disposal". A Lucrative Disposal is a disposal of the Properties or an exchange of contracts before 6 November 2016 where the aggregate purchase price and value of any other consideration payable on the disposal of the Properties exceeds a threshold amount (being the purchase price paid by Urban&Civic Alconbury plus the acquisition costs, any community infrastructure levy payments incurred by Urban&Civic Alconbury and interest at a rate of 20 per cent. per annum on the purchase price (from 6 November 2009) and acquisition costs (from the date the costs were incurred).

The Acquisition does not trigger a Permitted Disposal or a Lucrative Disposal.

On 22 April 2014, Urban&Civic Alconbury Limited entered into a deed of covenant in favour of SPL pursuant to which it confirmed that it will observe and perform the obligations of Urban&Civic Alconbury under the agreement.

16.2.11 **Charge in favour of the Secretary of State for Defence**

As part of the acquisition of Alconbury Weald by Urban&Civic Alconbury, Urban&Civic Alconbury entered into a direct deed of covenant dated 6 November 2009 in favour of the Secretary of State for Defence ("MOD"). The charge provides that if certain trigger events occur before 5 November 2024 (such events being, in summary, Urban&Civic Alconbury obtaining planning permission in respect of certain parts of Alconbury Weald), Urban&Civic Alconbury is required to pay to the MOD on the relevant payment day (being the date on which the planning permission is implemented or the date upon which Urban&Civic Alconbury disposes of the land or its interest with the benefit of the planning permission) a claw back sum.

The claw back sum payable on a commercial planning permission uses the formula:

$$((A \times R) - C) \times VF$$

where A is the aggregate gross external area of the commercial space in excess of 7 million sq. ft. gross external area; R is £2.50 per sq. ft.; C is the aggregate of any commercial claw back already paid; and VF is the retail price index ("RPI") for the month in which the trigger event occurs divided by the RPI index for November 2009.

The claw back sum payable on a residential planning permission uses the formula:

$$D \times (F \times VF)$$

where D is the number of private residential dwellings (excluding any affordable housing) permitted by the planning permission; F is £3,250 per unit (excluding any affordable housing); and VF is as above.

The Acquisition does not trigger any claw back sum.

On 22 April 2014, Urban&Civic Alconbury Limited entered into a deed of covenant in favour of the MOD pursuant to which it confirmed that it will observe and perform the obligations of Urban&Civic Alconbury under the agreement.

17. TAXATION

17.1 UK Taxation

The following statements are intended as a general guide only, based on current UK tax legislation and HM Revenue & Customs practice, to the UK tax position of UK residents who are the absolute beneficial owner of their shares and who are holding their shares as investments and not as trading stock. Any person who is in any doubt as to his tax position, or who is or may be subject to a tax in a jurisdiction other than the UK, should consult an appropriate professional adviser.

Dividends

Under current UK tax legislation, no tax will be withheld from any dividend paid by the Company.

A UK resident individual shareholder is entitled to a tax credit in respect of the dividend received and will be subject to UK income tax on the aggregate of the dividend received and the related tax credit (the "gross dividend").

The value of the tax credit is currently an amount equal to one ninth of the dividend received (or 10 per cent. of the gross dividend). The dividend will be treated as the top slice of the shareholder's income. A starting rate or basic rate taxpayer will be subject to tax on the gross dividend at the rate of 10 per cent., the tax credit satisfying his liability in full. A higher rate or additional rate taxpayer will be subject to income tax on the gross dividend at the rate of 32.5 per cent. or 37.5 per cent. respectively, but will be able to set off the tax credit against this liability.

A UK resident shareholder who holds Ordinary Shares in an ISA will be exempt from income tax on dividends in respect of such shares.

UK resident shareholders whose income tax liability is less than the tax credit are not entitled to claim a repayment of any part of the tax credit associated with dividends paid by the Company.

UK pension funds will not be entitled to reclaim the tax credit attaching to any dividend paid by the Company.

Subject to certain exceptions for some insurance companies, a UK resident corporate shareholder should not (unless carrying on a trade of dealing in shares) be liable to UK corporation tax on any dividend received from the Company.

A non-UK resident shareholder is not generally entitled to a tax credit in respect of the dividend received. However, such a shareholder may be entitled to a payment from HM Revenue & Customs of a proportion of the tax credit under a double tax convention or agreement between the UK and the country in which he is a citizen.

A non-UK resident shareholder may be subject to foreign tax on the dividend received. Such a shareholder should consult his own tax adviser on the incidence of taxation in the country in which he is resident, whether he is entitled to the benefit of any tax credit and the procedure for claiming double tax relief.

Chargeable gains

A shareholder resident (or ordinarily resident) for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares may incur a liability to tax on any capital gain which is realised. Special rules apply to individuals at a time when they are temporarily not resident nor ordinarily resident in the UK.

A shareholder who is neither resident nor ordinarily resident for tax purposes in the UK who sells or otherwise disposes of his Ordinary Shares will not normally be liable to capital gains tax on the gain which is realised. A liability to tax may arise in respect of a gain if such shareholder carries on a trade in the UK through a branch or agency and such Ordinary Shares are or have been used, held or acquired for the purposes of a trade carried on by the branch or agency.

A UK resident shareholder who holds Ordinary Shares in an ISA will be exempt from capital gains tax on gains accruing to him on a disposal or deemed disposal of Ordinary Shares.

Stamp duty and stamp duty reserve tax

The subscription for New Ordinary Shares pursuant to the Placing will be free of stamp duty and stamp duty reserve tax ("SDRT") unless the New Ordinary Shares are acquired for the purposes of an arrangement for the provision of clearance services or the issue of depositary receipts. The Company will not be responsible for the payment of stamp duty or stamp duty reserve tax in any such case.

Agreements to transfer Ordinary Shares within CREST (where there is a change in the beneficial ownership of Ordinary Shares) will attract SDRT normally at the rate of 0.5 per cent. of the amount or value of the consideration. The charge to SDRT arises, in the case of an unconditional agreement to transfer such shares within CREST, on the date of the agreement, and in the case of a conditional agreement, on the date the agreement becomes unconditional.

There is no additional stamp duty or SDRT liability where Ordinary Shares are taken out of CREST (otherwise than pursuant to a transfer on sale), and there is no additional stamp duty or SDRT liability if Ordinary Shares are deposited into CREST for conversion into uncertified form (otherwise than pursuant to a transfer on sale or in contemplation of such sale).

Transfers on sale of existing Ordinary Shares outside CREST will be liable to ad valorem stamp duty normally at the rate of 0.5 per cent. of the amount or value of the chargeable consideration. A charge to SDRT, normally at the rate of 0.5 per cent. of the consideration, arises, in the case of an unconditional agreement to transfer shares outside CREST, on the date the agreement becomes unconditional. However, where an instrument of transfer is executed and duly stamped before the expiry of a period of six years beginning with the date of that agreement (or, if the agreement is conditional, the date on which the condition is satisfied), the SDRT charge is cancelled to the extent that the SDRT has not been paid and, if any of the SDRT has been paid, a claim may be made for its repayment, generally with interest.

SDRT and stamp duty are normally the liability of the purchaser.

Liabilities to stamp duty will be rounded up to the nearest multiple of £5.

17.2 US Taxation

This paragraph describes the material US federal income tax considerations of the ownership and disposition of Ordinary Shares. It does not address any aspect of US federal gift or estate tax, or the state, local or foreign tax consequences of an investment in Ordinary Shares. This paragraph relates to holders who hold and beneficially own Ordinary Shares as capital assets for tax purposes and who subscribe for Ordinary Shares in exchange for cash in the Placing at the Placing Price and do not otherwise own Ordinary Shares. It does not apply to any holder that is a member of a class subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or other financial institutions;

- insurance companies;
- tax-exempt organisations;
- partnerships and other entities treated as partnerships for US federal income tax purposes or persons holding the Ordinary Shares through any such entities;
- persons that hold the Ordinary Shares as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- US Holders (as defined below) whose functional currency for tax purposes is not the US dollar;
- persons liable for alternative minimum tax; or
- persons who actually or constructively own 10 per cent. or more of the total combined voting power of all classes of the Company's shares (including the Ordinary Shares) entitled to vote.

This paragraph is based on the US Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect, as well as the Convention Between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital Gains (the "Treaty"). These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies on the Enlarged Group's assumptions regarding the value of the Ordinary Shares and the nature of the Enlarged Group's business over time.

For purposes of the US federal income tax section below, a holder is a "US Holder" if such holder beneficially owns Ordinary Shares and is:

- a citizen or resident of the United States for US federal income tax purposes;
- a corporation, or other entity taxable as a corporation, that was created or organised in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to US federal income tax regardless of its source; or
- a trust if (a) a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all substantial decisions of the trust, or (b) the trust has a valid election in effect to be treated as a US person.

If a partnership or other pass-through entity for US federal income tax purposes holds Ordinary Shares, the tax treatment of the holder will generally depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity. Holders that hold Ordinary Shares through a partnership or other pass-through entity should consult their own tax advisor as to the consequences of owning or disposing of such Ordinary Shares.

This section does not discuss any US tax considerations relating to the Acquisition.

Investors should consult their own tax adviser concerning the US tax consequences relating to the purchase, ownership and disposition of Ordinary Shares in their individual circumstances.

US Holders

This section applies only to US Holders.

Passive Foreign Investment Company

Based on the Enlarged Group's use of the proceeds of the Placing and on the projected composition of the Enlarged Group's income and valuation of its assets, including goodwill, the Enlarged Group believes that it is likely to be considered a passive foreign investment company (a "PFIC") for US federal income tax purposes for the tax year ending 31 December 2014 and thereafter.

In general, the Enlarged Group will be a PFIC for any tax year in which at least 75 per cent. of its gross income is passive income or at least 50 per cent. of the value of its assets (based on an average of the quarterly values) is attributable to assets that produce or are held for the production of passive

income. For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). If the Enlarged Group directly or indirectly owns at least 25 per cent. (by value) of the stock of another corporation (including, for example, its principal operating subsidiaries), for purposes of the PFIC tests the Enlarged Group will be treated as owning its proportionate share of such other corporation's assets and receiving its proportionate share of such other corporation's income.

The determination of whether the Enlarged Group is a PFIC must be made annually. Accordingly, it is possible that even if, contrary to expectations, the Enlarged Group is not a PFIC in the current year, the Enlarged Group may become a PFIC in any future tax year due to changes in its income or asset composition. In addition, the composition of the Enlarged Group's income and assets will be affected by how, and how quickly, it spends the proceeds of any debt issuance or other capital it may raise in the future. If the Enlarged Group is a PFIC for any tax year during which a US Holder holds Ordinary Shares, the US Holder will be subject to special tax rules detailed below.

If the Enlarged Group is a PFIC for any tax year during which a US Holder holds Ordinary Shares, such US Holder will be subject to special tax rules with respect to any "excess distribution" received and any gain realised from a sale or other disposition (including for this purpose any pledge) of the Ordinary Shares. Distributions received in a tax year that are greater than 125 per cent. of the average annual distributions received during the shorter of the three preceding tax years or the US Holder's holding period in the Ordinary Shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over the US Holder's holding period in the Ordinary Shares;
- the amount allocated to the current tax year, and any tax year prior to the first tax year in which the Enlarged Group is a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate US Holders will not be eligible for the reduced rates of taxation on any dividends received from the Enlarged Group if it is a PFIC in the tax year in which such dividends are paid or in the preceding tax year, regardless of whether the Enlarged Group is otherwise a qualified foreign corporation.

If the Enlarged Group is a PFIC for any tax year during which a US Holder holds Ordinary Shares, then the Enlarged Group will continue to be treated as a PFIC with respect to such Ordinary Shares, even if the Enlarged Group should cease to meet the asset and income tests described above in the future. A US Holder that does not make the mark-to-market or QEF elections described below may terminate this deemed PFIC status by electing to recognise a gain (which will be taxed under the rules discussed above) as if such shares had been sold on the last day of the last tax year for which the Enlarged Group was a PFIC. This election generally has the effect of eliminating or purging the PFIC taint.

A US Holder will be required to file US Internal Revenue Service ("IRS") Form 8621 if it holds the Ordinary Shares in any year in which the Enlarged Group is classified as a PFIC and may also be required to file an annual information report even if such US Holder did not recognise gain on the sale of such PFIC stock, receive a distribution from such PFIC, or make a QEF (as defined below) election with respect to such PFIC. If the Enlarged Group is a PFIC for any tax year during which a US Holder holds Ordinary Shares and any of the Enlarged Group's non-US subsidiaries is also a PFIC, such US Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. US Holders are urged to consult their tax advisors about the application of the PFIC rules to any of the Enlarged Group's subsidiaries.

In certain circumstances, in lieu of being subject to the excess distribution rules set out above, a US Holder may make an election to include gain on the stock of a PFIC as ordinary income under a mark-to-market method, provided that such stock is regularly traded on a qualified exchange. It is unclear whether the London Stock Exchange constitutes such a qualified exchange and, even if the London

Stock Exchange so qualifies, whether the Ordinary Shares will be “regularly traded” for purposes of the mark-to-market election. If a US Holder makes an effective mark-to-market election, instead of applying the PFIC rules above, such US Holder would include in each year as ordinary income the excess of the fair market value of the Ordinary Shares that it holds at the end of the year over the US Holder’s adjusted tax basis in such Ordinary Shares. The US Holder would be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the Ordinary Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a US Holder makes an effective mark-to-market election, any gain recognised upon the sale or other taxable disposition of the Ordinary Shares would be treated as ordinary income and any loss would be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A US Holder’s adjusted tax basis in the Ordinary Shares would be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a US Holder makes a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Ordinary Shares cease to be regularly traded on a qualified exchange or the IRS consents to the revocation of the election. US Holders are urged to consult their tax advisors about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

If the Enlarged Group is or were to become a PFIC, the rules described above could be avoided if a US Holder were eligible to, and elected to, treat the Enlarged Group as a “qualified electing fund” (“QEF”) under Section 1295 of the Code. The Enlarged Group intends to provide otherwise eligible US Holders with such information as may be required to make an effective QEF election. If a US Holder makes a QEF election, such US Holder will be currently taxable on its pro rata share of the Enlarged Group’s ordinary earnings and net capital gain, at ordinary income and capital gain rates, respectively, for each of the Enlarged Group’s tax years, regardless of whether or not such US Holder receives distributions. The US Holder’s basis in the Ordinary Shares will be increased to reflect taxed but undistributed income. Distributions of income that had been taxed previously will result in a corresponding reduction of basis in the Ordinary Shares and will not be taxed again as a distribution to the US Holder.

In the event the Enlarged Group incurs a net loss for a taxable year, such loss will not be available as a deduction to a US Holder that makes a QEF election, and may not be carried forward or back in computing the Enlarged Group’s ordinary earnings or net capital gain in other taxable years. In order to make (or maintain) a QEF election, the US Holder must annually complete and file IRS Form 8621. In addition, the Enlarged Group must make certain information regarding its ordinary earnings and net capital gain available to the US Holder and permit the Enlarged Group’s books and records to be examined to verify such information. Therefore, if a US Holder determines that the Enlarged Group is a PFIC for any year and makes a request to the Enlarged Group in writing at the address listed in Part 6 of this document for the attention of Jon Austen, Group Financial Director, for the information required to make a QEF election, the Enlarged Group will promptly make the information available to such US Holder and comply with any other applicable requirements of the Code.

A QEF election, once made with respect to the Ordinary Shares, applies to the tax year for which it was made and to all subsequent tax years, unless the election is invalidated or the IRS consents to revocation of the election. If a US Holder makes a QEF election and the Enlarged Group ceases to be classified as a PFIC in a subsequent tax year, the QEF election will remain in effect, although it will not be applicable during those tax years in which the Enlarged Group is not classified as a PFIC. Therefore, if the Enlarged Group – after ceasing to be classified as a PFIC – again becomes classified as a PFIC in a subsequent tax year, the QEF election will be effective and the US Holder will again be subject to the rules described above for US Holders making QEF elections in such tax year and any subsequent tax years in which the Enlarged Group is classified as a PFIC. A QEF election also remains in effect even after the US Holder disposes of all of its Ordinary Shares. As a result, if the US Holder subsequently acquires any Ordinary Shares, such US Holder will again be subject to the rules described above for US Holders making a QEF election for each tax year in which the Enlarged Group is classified as a PFIC.

A US Holder, depending on its individual circumstances, may not be able to make an effective QEF election. In addition, an effective QEF election will result in the recognition of US taxable income and gain even if the Enlarged Group never makes any distributions. US Holders should consult their own

advisors on the availability of, and effect of, the making of a QEF election in their individual circumstances.

The foregoing statements relating to the QEF election and mark-to-market election assumes that a US Holder makes the applicable election with respect to the first year in which the Enlarged Group qualifies as a PFIC. If the election is not made for the first year in which the Enlarged Group qualifies as a PFIC, the procedures for making the election and the consequences of the election will be different.

Dividends on Ordinary Shares if the Enlarged Group were not a PFIC

If, contrary to expectations, the Enlarged Group were not a PFIC, the US dollar gross amount of any distributions made by the Enlarged Group to a US Holder generally would be treated as dividend income if the distributions are made from the Enlarged Group's current or accumulated earnings and profits, calculated according to US federal income tax principles and thereafter as return of basis and then as capital gain. However, the Enlarged Group does not intend to calculate its earnings and profits according to US federal income tax principles, and as a result a US Holder generally will be required to treat all distributions on Ordinary Shares as dividends for US federal income tax purposes.

Dividends will generally be subject to US federal income tax as ordinary income on the day that the US Holder actually or constructively receives such income. However, if an individual US Holder meets certain holding period requirements, distributions on Ordinary Shares and dividends generally will constitute "qualified dividend income" and as a result be taxed at a maximum 20 per cent. rate, as long as the Enlarged Group is treated as a "qualified foreign corporation." A foreign corporation is treated as a qualified foreign corporation for this purpose if the foreign corporation is eligible for the benefits of certain income tax treaties with the United States. The Enlarged Group expects to be eligible for the benefits of the Treaty, and as a result, dividends paid by the Enlarged Group on the Ordinary Shares generally would constitute qualified dividend income. Non-corporate US Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Code Section 163(d)(4) will not be eligible for these reduced rates of taxation regardless of the Enlarged Group's status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends where the US Holder receiving the dividends is obligated to make related payments with respect to positions in substantially similar or related property, even if the minimum holding period has been met. Distributions on Ordinary Shares will not be eligible for the "dividends-received deduction" generally available to corporate US Holders.

Sales and other taxable dispositions of Ordinary Shares if the Enlarged Group were not a PFIC

If, contrary to expectations, the Enlarged Group were not a PFIC, upon the sale or other taxable disposition of Ordinary Shares, a US Holder generally will recognise a capital gain or loss in an amount equal to the difference between the amounts realised on such sale or other taxable disposition and the US Holder's adjusted tax basis in the Ordinary Shares, both as determined in US dollars. A US Holder's adjusted tax basis will equal the amount paid for the Ordinary Shares. Any gain or loss recognised by a US Holder will be long-term capital gain or loss if such US Holder's holding period in the Ordinary Shares is more than one year at the time of disposition. An individual US Holder's long-term capital gain will be taxed at preferential rates. The deductibility of capital losses is subject to certain limitations. Any gain or loss recognised generally will be treated as derived from US sources for US foreign tax credit limitation purposes.

Additional tax on net investment income

An additional 3.8 per cent. tax is imposed on the "net investment income" of certain US Holders who are citizens and resident aliens, and on the undistributed "net investment income" of certain estates and trusts. Among other items, "net investment income" generally would include dividends paid on the Ordinary Shares and certain net gains from the sale or other taxable disposition of the Ordinary Shares, less certain deductions.

US information reporting and backup withholding rules

In general, dividend payments with respect to the Ordinary Shares and the proceeds received on the sale or other taxable disposition of such Ordinary Shares may be subject to information reporting to the IRS and to backup withholding (currently imposed at a rate of 28 per cent.). Backup withholding will not apply, however, if a holder (1) is a corporation or comes within certain other exempt categories and, when required, can demonstrate that fact or (2) provides a taxpayer identification number, certifies that such holder has not lost its exemption from backup withholding and otherwise complies with the applicable backup withholding rules. To establish its status as an exempt person, the holder will generally be required to provide certification on an IRS Form W-9, W-8BEN or W-8ECI, as applicable in its particular circumstances. Backup withholding is not an additional tax. Rather, any amounts withheld from payments to a holder under the backup withholding rules will be allowed as a refund or a credit against its US federal income tax liability, provided that the holder timely furnishes the required information to the IRS.

Disclosure of information with respect to foreign financial assets

Certain US individuals who hold any interest in “specified foreign financial assets,” including the Ordinary Shares, during such holder’s tax year must attach to their US tax return for such year certain information with respect to each asset if the aggregate value of all of such assets exceeds \$50,000 (or a higher dollar amount prescribed by the IRS) , unless such Ordinary Shares are held in an account maintained by a US payor, such as a US financial institution or the US branch of a non-US bank or insurer. For this purpose, a “specified foreign financial asset” includes any depository, custodial or other financial account maintained by a foreign financial institution, and certain assets that are not held in an account maintained by a financial institution, including any stock or security issued by a person other than a US person. A taxpayer subject to these rules who fails to furnish the required information is subject to a penalty of \$10,000, and an additional penalty may apply if the failure continues for more than 90 days after the taxpayer is notified of such failure by the IRS; however, these penalties may be avoided if the taxpayer demonstrates a reasonable cause for the failure to comply. An accuracy-related penalty of 40 per cent. is imposed for an underpayment of tax that is attributable to an “undisclosed foreign financial asset understatement,” which for this purpose is the portion of the understatement for any taxable year that is attributable to any transaction involving an “undisclosed foreign financial asset,” including any asset that is subject to the information reporting requirements of this legislation, which would include the Ordinary Shares if the dollar threshold described above were satisfied.

The applicable statute of limitations for assessment of US federal income taxes is extended to six years if there is an omission of gross income in excess of \$5,000 and the omission of gross income is attributable to a foreign financial asset as to which reporting is required as described above (or would be so required if the requirement for reporting specified foreign financial assets were applied without regard to the dollar threshold specified therein and without regard to certain exceptions that may be specified by the IRS). In addition, the statute of limitations will be suspended if a taxpayer fails to timely provide information with respect to specified foreign financial assets required to be reported or fails to timely provide the annual information reports required for holders of PFIC stock, including PFIC stock for which a QEF election is made. **Holders should consult their own tax advisor concerning any obligation that they may have to furnish information to the IRS as a result of holding the Ordinary Shares.**

HOLDERS OF ORDINARY SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME TAX LAWS IN THEIR INDIVIDUAL CIRCUMSTANCES, AS WELL AS ANY TAX CONSEQUENCES RESULTING FROM PURCHASING, HOLDING OR DISPOSING OF THE ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF THE TAX LAWS OF ANY STATE, LOCAL OR OTHER FOREIGN JURISDICTION, AND ANY ESTATE, GIFT AND INHERITANCE LAWS.

18. PROPERTY VALUATION

No material change has occurred since 31 December 2013, in respect of Alconbury Weald, and 9 January 2014, in respect of Rugby, being the effective dates of the valuations carried out by CBRE and set out in Part 19 of this document.

19. CONSENTS AND RELATED MATTERS

- 19.1 KPMG LLP of 8 Salisbury Square, London EC4Y 8BB has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report in Part 16 of this document in the form and context in which it appears and has authorised the contents of its report for the purposes of PR 5.5.3R(2)(f) of the Prospectus Rules.
- 19.2 BDO of 55 Baker Street, London W1E 7EU has given and has not withdrawn its written consent to the inclusion in this document of its accountant's report in section A of Part 17 of this document and its report on the pro forma financial information in section B of Part 18 of this document, in the form and context in which they are included and has authorised the contents of its reports for the purposes of PR 5.5.3R(2)(f) of the Prospectus Rules.
- 19.3 CBRE has given and has not withdrawn its written consent to the inclusion in this document of its report in the form and context in which it appears and has authorised the contents of that report for the purposes of PR5.5.3R(2)(f) of the Prospectus Rules.
- 19.4 The information sourced from any third party in this document has been accurately reproduced and as far as the Company is aware and has been able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document the source of such information has been identified.

20. EXPENSES AND NET PROCEEDS

The total costs and expenses of and incidental to the Proposals, including the FCA fee and the fees of the London Stock Exchange, commissions and fees payable to the Joint Bookrunners and the costs of printing and distribution of documents are estimated to amount to approximately £8.8 million (exclusive of value added tax).

21. MANDATORY TAKEOVER BIDS AND SQUEEZE OUT AND SELL-OUT RULES

21.1 Mandatory bid

The City Code on Takeovers and Mergers applies to the Company. Under the City Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and persons acting in concert with him to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying between 30 per cent. and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

21.2 Squeeze-out

Under the Act, if an offeror has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. of the Ordinary Shares, the offeror is entitled to compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

21.3 Sell-out

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to

the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

21.4 **Takeover bids**

No public takeover bid has been made in relation to the Company during the last financial year or the current financial year.

22. RELATED PARTY TRANSACTIONS

22.1 Messrs Adair, Leech, Austen and Dyson, directors of the Company, intend to subscribe for an aggregate amount of £1.7 million in the Placing or Employee Offer as follows:

Robert Adair	£640,000
Philip Leech	£500,000
Jon Austen	£300,000
Robert Dyson	£250,000

22.2 In addition, Jon Austen has confirmed his intention to exercise vested options over 594,059 unconsolidated Ordinary Shares prior to Admission.

22.3 The Company entered into a guarantee fee agreement (the “Guarantee Fee Agreement”) on 2 July 2010 with Skye Investments Limited (“Skye”). Robert Adair and his connected persons are the ultimate beneficial owners of Skye. The background to the Guarantee Fee Agreement is set out in further detail in note 25 in section B of Part 17 of this document and in paragraph 2.4 of Part 15 of this document. Under the Guarantee Fee Agreement (as amended on 8 October 2013), the amount owed to Skye was agreed as £662,104.11 as at 21 May 2013 and this sum is subject to a monthly repayment schedule with the final instalment being payable on 30 June 2014.

22.4 The Company entered into a profit share agreement (the “Profit Share Agreement”) dated 8 October 2013 with Terrace Hill (Property Investments No. 2) Limited (“THPI2”) and Skye. The background to the Profit Share Agreement is set out in further detail in note 25 in section B of Part 17 of this document. In connection with the Terrace Hill Group’s exit from the residential market, certain residential properties (the “Residential Properties”) owned by Terrace Hill Residential plc, a joint venture between the Company and Skye, were transferred to THPI2 for £5,304,050. The Profit Share Agreement provides that: (i) THPI2 is to account to Skye for 50 per cent. of any aggregate profit realised on the disposal of the Residential Properties; (ii) Skye is to indemnify THPI2 for 50 per cent. of any aggregate losses realised on the disposal of the Residential Properties; and (iii) Skye is to reimburse the Company for 50 per cent. of any payments required to be made by the Company under an interest shortfall and clawback agreement between the Company and The Bank of Scotland.

22.5 Other than as disclosed in paragraphs 16.1.7, 22.1, 22.2 and 22.3 of this Part 20 and note 25 of the financial information contained in section B of Part 17 of this document, there are no related party transactions by any member of the Terrace Hill Group that were entered into between 1 October 2010 and the date of this document.

22.6 Other than as disclosed in note 23 of the financial information contained in section B of Part 16 of this document, which the Enlarged Board do not consider to be material, there are no related party transactions by any member of the Urban&Civic Group that were entered into between 1 January 2011 and the date of this document.

23. GENERAL

23.1 The Company is proposing to offer Ordinary Shares at an aggregate subscription price of up to €5 million at the Placing Price to certain employees of the Enlarged Group (being fewer than 150 persons in total). Members of the Enlarged Board intend to subscribe for an aggregate amount of approximately £3.6 million in the Placing or Employee Offer. Further details are set out in paragraph 1 of Part 8 of this document.

23.2 The registrar of the Company is Share Registrars Limited of Suite E, First Floor, 9 Lion & Lamb Yard, Farnham, Surrey GU9 7LL who will in relation to Ordinary Shares in certificated form be responsible for keeping the Company's share records.

24. DOCUMENTS ON DISPLAY

Copies of the following documents may be physically inspected at the offices of Berwin Leighton Paisner LLP at Adelaide House, London Bridge, London EC4R 9HA during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission:

- 24.1 the memorandum, the Existing Articles and the New Articles referred to in paragraphs 3 and 4 of this Part 20;
- 24.2 the audited consolidated accounts of the Terrace Hill Group for the years ended 30 September 2011, 2012 and 2013 and the three months ended 31 December 2013 referred to in section B of Part 17;
- 24.3 the audited consolidated information of the Urban&Civic Group for the years ended 2011, 2012 and 2013 referred to in section B of Part 16;
- 24.4 the letters of consent referred to in paragraph 19 of this Part 20;
- 24.5 the pro forma financial information referred to in section A of Part 18;
- 24.6 the accountants' reports set out in section A of each of Parts 16 and 17; and
- 24.7 the property valuation report referred to in Part 19.

This document is dated 28 April 2014.

PART 21

DEFINITIONS

In this document the following expressions have the following meanings, unless the context requires otherwise:

“Act”	the Companies Act 2006, as amended
“Acquisition”	the acquisition of Urban&Civic by the Company on the terms and conditions set out in the Acquisition Agreement
“Acquisition Agreement”	the conditional share purchase agreement dated 28 April 2014 between the Company and the Sellers relating to the Acquisition, further details of which are set out in paragraph 16.1.4 of Part 20 of this document
“Admission”	admission of the Enlarged Share Capital to the standard listing segment of the Official List and to trading on the London Stock Exchange’s Main Market for listed securities becoming effective
“AIM”	AIM, a market of the London Stock Exchange
“AIM Rules for Companies”	the AIM Rules for Companies as published by the London Stock Exchange from time to time
“Alconbury” or “Alconbury Weald”	the freehold land comprising the former Alconbury airfield and neighbouring farmland in Huntingdon, Cambridgeshire, which is owned by Urban&Civic
“Associates”	as that term is defined in the definition of “related party” in the AIM Rules for Companies
“Aviva”	Aviva plc
“BDO”	BDO LLP, as reporting accountants to the Company
“Board” or “Directors”	the current directors of the Company, whose names are set out in Part 6 of this document
“BT”	BT Telecommunications plc
“Business Day”	a day (other than Saturday or Sunday or a bank holiday) on which banks are generally open for normal banking business in the City of London
“CBRE”	CBRE Limited, as property valuer to Urban&Civic
“certificated” or “in certificated form”	an Ordinary Share which is not in uncertificated form
“CESR Recommendations”	the European Securities and Markets Authority’s update of the CESR recommendations for the consistent implementation of the European Commission’s Regulation on Prospectuses No 809/2004 and EU Directive 2003/71/EC
“Circular”	the circular sent to Shareholders dated 28 April 2014, containing the notice of General Meeting
“City Code”	the City Code on Takeovers and Mergers

“Company” or “Terrace Hill”	Terrace Hill Group plc (incorporated in Scotland with registered number SC149799)
“Completion”	completion of the Proposals
“Consideration Shares”	the 43,084,456 Consolidated Ordinary Shares to be issued to the Sellers on Completion
“Consolidated Ordinary Shares”	the ordinary shares of 20 pence each in the capital of the Company following the Share Consolidation
“Co-operation Agreement”	the co-operation agreement entered into between SUE LP and RRSLP on 16 April 2014, further details of which are set out in paragraph 16.2.2 of Part 20 of this document
“Corporate Governance Code”	the UK Corporate Governance Code in the latest form issued by the Financial Reporting Council from time to time
“CREST”	the paperless settlement system operated by Euroclear UK & Ireland under the CREST Regulations to facilitate the transfer of title to, and the holding of, shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“Disclosure and Transparency Rules”	the rules relating to the disclosure of information made in accordance with section 73A(3) of FSMA
“EEA”	the European Economic Area
“Employee Benefit Trust”	the Terrace Hill Employee Benefit Trust
“Employee Offer”	the offer of the Employee Shares
“Employee Shares”	Ordinary Shares at an aggregate subscription price of up to €5 million offered by the Company to certain employees of the Enlarged Group at the Placing Price
“Enlarged Board”	the board of directors of the Company as it will be constituted on Completion
“Enlarged Group”	the Terrace Hill Group as enlarged by Urban&Civic assuming completion of the Acquisition, including its subsidiary undertakings from time to time
“Enlarged Share Capital”	the issued share capital of the Company upon Admission, comprising the Existing Ordinary Shares, the Consideration Shares, Placing Shares and the Employee Shares
“Euroclear UK & Ireland”	Euroclear UK & Ireland Limited (incorporated in England and Wales under registered number 2878738), the operator of Crest
“Exchange Act” or “US Exchange Act”	the US Exchange Act 1934 as amended
“Executive Directors”	the executive directors of the Company whose names are set out in Part 6 of this document and “Executive Director” shall mean any one of them
“Existing Articles”	the existing articles of association of the Company

“Existing Ordinary Shares”	the 211,971,299 existing ordinary shares of two pence each in the capital of the Company in issue at the date of this document and prior to completion of the Share Consolidation
“FCA”	the Financial Conduct Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“General Meeting”	the general meeting of the Company to be held on 14 May 2014 (and any adjournment thereof) for the purposes of considering the Resolution, notice of which is set out in the Circular
“GI Group”	any of GI Partners, GIP U&C and their Associates
“GI Partners”	GI Partners UK Limited
“GI Partners Fund III”	GI Partners Fund III, which holds its interest in Urban&Civic through its subsidiary, GIP U&C
“GIP U&C”	GIP U&C S.à. r.l.
“HCA”	Homes and Communities Agency
“HMRC”	HM Revenue and Customs
“HPI”	house price inflation
“IFRS”	International Financial Reporting Standards as issued by the International Accounting Standards Board and, for the purposes of this document, as adopted by the European Union
“Joint Bookrunners”	J.P. Morgan Cazenove and Oriel Securities
“J.P. Morgan Cazenove”	J.P. Morgan Securities plc of 25 Bank Street, Canary Wharf, London E14 5JP (which conducts its UK Investment Banking Business as J.P. Morgan Cazenove)
“JPML”	J.P. Morgan Limited of 25 Bank Street, Canary Wharf, London E14 5JP
“KPMG”	KPMG LLP, as auditors to Urban&Civic
“Latest Practicable Date”	close of business on 25 April 2014
“Listing Rules”	the listing rules of the Financial Conduct Authority made pursuant to Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Model Code”	the model code on directors’ dealings in securities set out in Chapter 9 of the Listing Rules
“Net Proceeds”	the gross proceeds from the Placing less the costs and expenses incurred by the Enlarged Group relating to the Proposals
“New Articles”	the new articles of association of the Company to be adopted pursuant to the Resolution, as further described in paragraph 3 of Part 20 of this document
“New Ordinary Shares”	the Consideration Shares, the Placing Shares and the Employee Shares

“Non-executive Directors”	the non-executive directors of the Company whose names are set out in Part 6 of this document and “Non-executive Director” shall mean any one of them
“Official List”	the Official List of the FCA
“Ordinary Shares”	ordinary shares of two pence each in the capital of the Company prior to the Share Consolidation, and ordinary shares of 20 pence each in the capital of the Company following the Share Consolidation
“Oriol Securities”	Oriol Securities Limited
“Overseas Investors”	persons who are resident in, or who are citizens of, or who have registered addresses in, territories other than the UK
“Performance Share Plan”	The Terrace Hill Group plc Performance Share Plan
“Placing”	the proposed offer of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as further described in Part 8 of this document
“Placing Agreement”	the conditional Placing agreement dated 28 April 2014 between J.P. Morgan Cazenove, Oriol Securities, the Company, the Principal Shareholders, Urban&Civic Limited and the Enlarged Board, further details of which are set out in paragraph 16.1.1 of Part 20 of this document
“Placing Memorandum”	the placing memorandum to be executed by the Company, Urban&Civic Limited and the Joint Bookrunners following completion of the bookbuilding process in their respective sole discretions pursuant to which each of the Joint Bookrunners agrees, severally, to procure subscribers for, or failing which to subscribe for its relevant proportion of the Placing Shares as set out therein, in each case at the Placing Price
“Placing Price”	225 pence, being the price at which each Placing Share is to be issued under the Placing
“Placing Shares”	75,555,556 new Consolidated Ordinary Shares to be issued under the Placing
“premium listing”	a listing by the FCA by virtue of which a company is subject to the full requirements of the Listing Rules
“Principal Shareholders”	GIP U&C, Robert Adair and certain entities connected with him including his family trusts
“ProLogis”	ProLogis UK Limited, who has strategic management rights in relation to the DIRFT and SUE sites
“Proposals”	the Acquisition, the Placing and Admission
“Proposed Directors”	the proposed directors of the Company, who will be appointed to the Board following Completion, whose names are set out in Part 6 of this document
“Prospectus Directive”	European Union Directive 2003/71/EC, including any applicable implementing measures in any Relevant Member State

“Prospectus Rules”	the prospectus rules of the Financial Conduct Authority made pursuant to Part VI FSMA
“QIB”	qualified institutional buyer, as defined in Rule 144A
“Registrars”	Share Registrars Limited
“Regulation S”	Regulation S under the US Securities Act
“Regulatory Information Service”	one of the regulatory information services authorised by the FCA to receive, process and disseminate regulatory information in respect of listed companies
“REIT”	real estate investment trust
“Relationship Agreement”	the agreement dated 28 April 2014 between the Company, GIP U&C and GI Partners, further details of which are set out in paragraph 16.1.6 of Part 20 of this document
“Relevant Member State”	each member state of the EEA which has implemented the Prospectus Directive
“Resolution”	the resolution set out in the notice of General Meeting, to approve, <i>inter alia</i> , the Acquisition, the authorities to enable the Directors to allot the New Ordinary Shares, the proposed change of the Company’s name and the Share Consolidation
“RPI”	retail price index
“RRSLP”	Rugby Radio Station Limited Partnership, the joint venture vehicle, owned 50:50 by BT and Aviva
“Rugby”	the land comprising the Sustainable Urban Expansion site at the Rugby Radio Station site in Rugby, Warwickshire
“Rugby Acquisition”	the acquisition by Urban&Civic (through its 50 per cent. interest in SUE LP) of its interest in Rugby
“Rugby Acquisition Agreement”	the conditional purchase agreement dated 16 April 2014 between SUE LP and RRSLP in relation to the Rugby Acquisition, further details of which are set out in paragraph 16.2.5 of Part 20 of this document
“Rule 144A”	Rule 144A of the US Securities Act
“Securities Act” or “US Securities Act”	the US Securities Act 1933 as amended
“Sellers” or “Urban&Civic Shareholders”	the shareholders of Urban&Civic from time to time
“Senior Managers”	those senior managers who are relevant to establishing that the Enlarged Group has the appropriate expertise and experience for the management of its business, being Duncan McEwan, Robert Lane, Nigel Wakefield, Adam Pratt and Richard Hepworth, and, from Admission, David Wood, James Scott and Tim Leathes

“Share Consolidation”	the share capital consolidation to be proposed pursuant to the Resolution set out in the notice of General Meeting whereby, if such Resolution is approved by the Shareholders, every 10 Existing Ordinary Shares held by any Shareholder will be consolidated into one ordinary share of 20 pence each in the capital of the Company
“Shareholders” or “Terrace Hill Shareholders”	holders of Ordinary Shares
“standard listing”	a listing by the FCA of equity securities of a company which is not a premium listing and is therefore not required to comply with the provisions of Chapters 7, 8, 10, 11, 12 or 13 of the Listing Rules or certain provisions of Chapter 9 of the Listing Rules
“Strategic Management Agreement”	the strategic management agreement dated 28 September 2012 entered into between RRSLP and ProLogis
“SUE site”	the Sustainable Urban Expansion site at the Rugby Radio Station site in Rugby, Warwickshire
“SUE LP”	SUE Developments Limited Partnership, the joint venture vehicle, owned 50:50 by Urban&Civic and Aviva, which will acquire Rugby pursuant to the Rugby Acquisition Agreement
“Takeover Panel” or “Panel”	the UK Panel on Takeovers and Mergers
“Terrace Hill Group”	<ul style="list-style-type: none"> (i) for the purposes of element B.11 (Working capital) in Part 1 of this document and paragraph 10 (Working capital) of Part 20 of this document only, Terrace Hill and its subsidiary undertakings, from time to time, which prior to Admission shall exclude the Urban&Civic Group and from Admission shall include the Urban&Civic Group; and (ii) elsewhere in this document, Terrace Hill and its subsidiary undertakings from time to time (excluding, for the avoidance of doubt, Urban&Civic)
“The Royal Bank of Scotland RCF”	the facility agreement dated 24 January 2013 between Urban&Civic Alconbury and The Royal Bank of Scotland Plc, which was replaced by the facility agreement dated 22 April 2014 between Urban&Civic Alconbury Limited and The Royal Bank of Scotland Plc, further details of which are set out in paragraph 16.2.5 of Part 20 of this document
“UK GAAP”	the United Kingdom generally accepted accounting principles as are, from time to time, varied
“uncertificated” or “in uncertificated form”	recorded on the relevant register of Ordinary Shares as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“Urban&Civic”	Urban&Civic Holdings S.à. r.l. (incorporated and registered in Luxembourg with registered number B148.992)

“Urban&Civic Alconbury”	Urban&Civic Alconbury S.à. r.l. (incorporated and registered in Luxembourg with registered number 8148.823), formerly known as SilverBee Developments S.à. r.l.
“Urban&Civic Alconbury Limited”	Urban&Civic Alconbury Limited (incorporated and registered in England and Wales with registered number 8983360)
“Urban&Civic Directors”	the current directors of Urban&Civic Limited, a subsidiary of Urban&Civic which performs property management services for the Urban&Civic Group
“Urban&Civic Group”	Urban&Civic and its subsidiary undertakings at the date of this document
“Valuation Report”	the valuation report as prepared by CBRE and set out in Part 19 of this document
“VAT”	value added tax

PART 22

GLOSSARY OF INDUSTRY TERMS

The following glossary of industry terms applies throughout this document unless the context requires otherwise:

“A14 Improvement Scheme”	the proposed scheme to improve the existing A14 trunk road between Cambridge and Huntingdon, which has been operating at overcapacity for some time. The UK Government has recently made a provision for £1.5 billion of capital investment for this purpose. Overall, the proposals will be funded through a combination of contributions from Central Government, the relevant local authority and other key stakeholders. If development consent for the proposed scheme is granted, construction of the main works would be expected to commence in 2016
“affordable housing”	social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market. Eligibility is determined with regard to local incomes and local house prices. Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision. “Social rented housing” is owned by local authorities and private registered providers (as defined in section 80 of the Housing and Regeneration Act 2008), for which guideline target rents are determined through the national rent regime. It may also be owned by other persons and provided under equivalent rental arrangements to the above, as agreed with the local authority or with the Homes and Communities Agency of the UK. “Affordable rented housing” is let by local authorities or private registered providers of social housing to households who are eligible for social rented housing. “Affordable rent” is subject to rent controls that require a rent of no more than 80 per cent. of the local market rent (including service charges, where applicable). “Intermediate housing” is homes for sale and rent provided at a cost above social rent, but below market levels subject to the criteria for affordable housing set out above. These can include shared equity (shared ownership and equity loans), other low cost homes for sale and intermediate rent, but not affordable rented housing
“Enterprise Zone”	a specific geographical area within local enterprise partnerships’ boundaries which can offer a range of incentives for businesses to start up or expand
“EPRA”	European Public Real Estate Association
“EPRA NAV”	a measure of NAV designed by EPRA presenting NAV excluding the effects of fluctuations in value in instruments that are held for long term benefit, net of deferred tax
“EPRA Triple NAV”	a measure of NAV designed by EPRA presenting the current value of all assets and liabilities. EPRA Triple NAV is EPRA NAV plus the fair value of deferred tax liabilities, debt and financial instruments
“GDP”	gross domestic product
“GDV”	gross development value, as more particularly described in paragraph 1 of Part 3 of this document

“NAV”	net asset value
“NRV”	net realisable value
“PRS”	the private rented sector
“Section 106 Agreement”	an agreement entered into with a local planning authority pursuant to section 106 of the Town and Country Planning Act 1990, as amended
“serviced land”	fully cleared and remediated land with all services, including gas, electricity, water, sewerage, telecommunications and lighting, and infrastructure including roads, footpaths and boundary walls
“sq. ft.”	square feet
“sq. m.”	square metre
“yield on cost”	the rental income that is received on a development divided by the total costs of carrying out that development, expressed as a percentage

