URBAN exposure

Annual Report

For the year ended 31 December 2019

2019

Contents

Urban Exposure Plc ('the Company') and its subsidiaries (together 'the Group', 'Urban Exposure' or 'we') announces its audited Group financial results for the year ended 31 December 2019. These results are being published in accordance with AIM Rule 19.

Business & Financial Highlights

About Urban Exposure Plc

Urban Exposure Plc is a specialist real estate financier which was incorporated and admitted on the Alternative Investment Market ("AIM") operated by the London Stock Exchange in May 2018. The Group provides funding for UK real estate development through the leveraging of its own balance sheet and through third party capital.

Business Highlights

- After carrying out a strategic review, and in light of the impact of changing market conditions as a result of COVID-19, the Board has concluded that the Group will focus entirely on an orderly wind down of the loan book and return of capital to shareholders.
- The Group believes that an orderly wind-down of the Company has the potential to produce net returns for Shareholders in a range of 70p to 83p per ordinary share on a fully diluted basis. The Group estimates that 80% of proceeds should be returned to shareholders within 7 to 15 months.
- In light of the revised strategy and requirements of the Group there have been a number of changes to the Board with Randeesh Sandhu stepping down as Chief Executive Officer, William McKee retiring as Chairman (to be replaced by Graham Warner subject to appointment) and Ravi Takhar leaving the business as a result of redundancy.
- Both Andrew Baddeley and Nigel Greenaway will stay on as Independent Non-Executive Directors and Sam Dobbyn has taken over as Chief Executive Officer.
- Current committed loan book has a Weighted Average LTGDV of 68% (2018: 67%).
- New committed loans during the year totaling £498m (2018: £525m). As a result of specific borrower performance post 31 December 2019 new committed loans now stand at £191m.

The following performance measures as at year end 2019 were as follows:

New committed loans:
£498m, £191m post year end (2018: £524.5m)

Projected aggregate income (the Group share, on loan book over life of loans):
£21.1m, £13.3m Post year end (2018: £26.9m)

Weighted Average LTGDV:
68% (2018: 67%)

WA IRR:
11% (2018: 10%)

WA Money Multiple:
1.15x (2018: 1.15x)

Financial Highlights

• Revenue:	£11.1m (2018: £3.9m)
• Operating costs (including exceptional costs of £0.5m and share-based expenses of £0.3m) (2018: including exceptional costs of £0.9m and share-based expenses of £0.5m)	£10.8m (2018: £5.9m)
• Profit after tax for the year:	£0.1m (2018: Loss £1.7m)
• Basic profit/(loss) per share:	0.09p (2018: (1.18p))
• Net tangible assets *(*note 1)*	£133.1m (2018: £137.8m)
• Net tangible asset value per share:	84p (2018: 87p)
• Cash and cash equivalents per share:	14p (2018: 29p)
• Loans receivable and Investments per share:	70p (2018: 586p)

**Note 1: Net tangible assets equates to total net assets excluding intangible assets.*

Business Model

The Group's business model is to provide funding to UK real estate property developers through the deployment of its financial and human resources.

What we do

The Group generates interest and fees from originating loans on its balance sheet, before moving the loans into asset management structures, from which origination and management fee income is generated from institutional investors. There are therefore two types of customer: borrowers and capital providers.

The Group uses its balance sheet as a temporary store or 'warehouse' for loans that it executes, before moving them into an asset management structure, whilst retaining a proportion on the balance sheet via co-investment in these structures.

How we transact

Our asset management strategy follows two routes:

i) syndicating loans alongside other lenders; and
ii) holding loans within managed account singled funds on behalf of institutional investors.

By using our balance sheet to co-invest with our capital providers, we are fully aligned with their objectives. To enhance our asset management returns and lending capacity, we use leveraged facilities from financial institutions.

What makes us relevant

We provide an essential service to a wide range of stakeholders by facilitating the building of homes within the UK. The market we operate in has two fundamental drivers:

- Too few homes are being built – a recent projection by the government states that approximately 300,000 new homes need to be built in England every year for the next decade in order to keep pace with rising demand and population growth; and

- A lack of availability of development finance – SME housebuilders' demands for finance outstrip supply due to the dramatic reduction in traditional bank lending to the residential development sector, largely due to regulatory reform.

Our resources

The Group has a highly experienced team of real estate development finance specialists who have relationships with a wide range of residential property developers throughout the UK. The key to the Group's business model is its access to capital from traditional banks to private equity and other alternative credit lenders.

One of the key resources of the Group is its people who are highly skilled and respected industry figures in their relevant fields. Our Group has excellent underwriting processes as well as advanced risk management procedures.

Future value creation

In the future, the Group is expected to focus entirely on the management and wind-down of its existing loan portfolio to maturity in order to maximise returns from the portfolio for the benefit of its shareholders. It will do this through leveraging its significant expertise within the UK real estate sector and by using its key resources to create value for its shareholders, especially during the uncertainty created by current market conditions.

Strategic Framework

The Group had the following strategic objectives for 2019:

1. **Grow a profitable loan book while maintaining excellent levels of credit quality**
   The Group committed new lending of £498m as at the year-end that has subsequently reduced to £191m since the year end. The credit quality of the book remains resilient with a WA LTGDV of 68% (2018: 67%). Furthermore, significant pre-sales have been achieved on residential schemes where the Group is providing a development loan, with 28% of units (by value) pre-sold.

   The WA IRR for the loan book was 11% (FY 2018: 10%) demonstrating the strong risk adjusted returns generated from the quality of our underwriting. Projected aggregate income over the life of the loans written in 2019 is expected to be £13.3m. This is a decrease on the £26.9m achieved in FY 2018 due to more loans moving into a syndicated asset management model, as well as a reduction in the loan book post year end.

2. **Raise additional third-party capital for deployment to the real estate development market**
   The Group raised £144.7m of third-party capital for 2019 (2018: £371m). This capital was raised from both an increase in the UBS facility on our KKR partnership of £135m and from syndications of loans to alternative credit providers.

3. **Invest in our operational efficiency, team learning and development**
   The Group's operating costs as a percentage of total committed loans was 1.1% at FY 2019. During 2019 the Group established a companywide objective management system through the objective and key results (OKRs) approach to driving performance as well as the implementation of a new HR platform.

Future strategy

The Group's future strategy is focused entirely on the management of its existing loan portfolio to maturity in order to maximise the returns from the portfolio for the benefit of its shareholders.

As announced, the Group anticipates making distributions to its shareholders on a quarterly basis of the net proceeds of the loans, subject to its then-existing cash requirements. Depending on the circumstances at the time, these distributions will most likely take the form of own-share tender offers which are made to all of the Company's shareholders. In addition, the Company intends to use its shareholder authority to make on-market own-share purchases at prices that are accretive to the Group's prevailing tangible net asset value per share, subject to the then funding requirements of the Group and, at least initially, the maintenance of a £10 million cash buffer, which is expected to reduce over time.

When all of the loan book has matured or been sold, the Group proposes that it enters into a voluntary solvent liquidation.

Key Performance Indicators

The Group's key performance indicators (KPIs) for the year are set out below

1. **New Committed Loans - £498m, £191m Post year end (2018: £525m)**

   KPI definition: New committed loans represent the total new loans underwritten by the Group on both a co-investment and asset management basis. Growth in new committed loans reflected the ability of the Group to meet its objective of being a market-leading provider of residential property development finance.

   Link to our strategy – 1

2. **Projected aggregate income (PAI) and Minimum Income to the Group - £21.1m PAI, £13.3m Post year end; £7.3m Minimum Income, £6.6m Post year end (2018: £26.9m PAI and £15.0m Minimum Income)**

   KPI definition: Each loan originated by the Group includes a Minimum Income Clause (MIC). MICs set a floor on the income from each loan originated by the Group, regardless of the drawdown profile or an early refinancing of the debt. Total projected income on each loan represents all interest and other connected income streams earned over the life of the loan and always exceeds the level secured by any MIC.

   PAI is an important metric for the Group as it represents the future income stream of all loans written. The recognition of this income will be dependent on a number of factors, including the timing of the drawdown of a loan and the application of financial reporting standards.

   Link to our strategy – 1

3. **Weighted average loan to gross development value (WALTGDV) – 68% (2018: 67%)**

   KPI definition: WA LTGDV represents the weighted average of all loans expressed as a percentage of the gross development value of the total loan book. Gross development value represents the market value of the proposed development assessed on the specific assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.

   WALTGDV is used by the Group as a key indicator of the credit quality of the loans written.

   Link to our strategy – 1

4. **Operational costs as a percentage of total committed loan book – 1.1%, 1.7% post year end (2018: 0.8%)**

   KPI definition: Operational costs as a percentage of the total committed loan book is calculated as total operational costs of the Group before exceptional items divided by the sum of total committed loans.

   Operational costs as a percentage of the total committed loan book is a measure of the operational efficiency of the Group and its ability to write and service loans, as well as to raise and manage external capital at a low cost.

   Link to our strategy – 3

5. **Basic earnings per share (EPS) and adjusted basic earnings per share (adjusted EPS) – EPS 0.09p (2018: loss of 1.18p); Adjusted EPS 0.33p (2018: loss of 0.58p)**

   KPI definition: Earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue. Adjusted earnings per share is calculated by dividing the profit after tax, after exceptional costs, by the weighted average number of shares in issue (see note 12).

   Growth in shareholder value and returns are linked to growth in EPS, which measures the profitability of the Group after tax and interest costs.

   Link to our strategy – 1, 2, 3

Key Performance Indicators (continued)

6. Organisational culture of high-performance teaming, learning and development

KPI definition: Organisational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organisation.

Employee engagement surveys are conducted in order to monitor performance in the areas of 'psychological safety', 'teaming' and learning and development.

The Group measured engagement at multiple points throughout the year, regularly collating feedback to determine the effectiveness of our employee initiatives.

Future KPIs

As the Group's strategy has now changed to focus on the existing loan book, the Group will focus on WA LTGDV, WA IRR and capital return to shareholders.

Chairman's Statement

The Group continued to focus on achieving a well-deployed loan book generating increased income in the form of fee and interest income, and diversified income from asset management fees.

Whilst the Group continued to develop its business in accordance with its business plan, its shares traded at a significant discount to the Group's prevailing net asset value throughout 2019 and, as announced to the market in November 2019, the Group received a number of proposals for the business that it considered in line with the best interests of its shareholders.

On 10 March 2020 the Group announced the proposed disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Group's partnership with KKR & Co. This disposal was subject to shareholder approval which was obtained at a general meeting of the Group on 30 March 2020.

As previously announced, the Group received a purported notice of termination from HHL of the share purchase agreement (the "SPA") between the Group, HHL and Urban Exposure Amco Limited ("Amco") dated 10 March 2020 for the purchase by HHL of the issued share capital of Lendco. The Group and Amco consider that there was no valid basis for the purported termination of the SPA by HHL and that HHL has acted in repudiatory breach of the SPA. The Group and Amco have accepted this repudiatory breach of contract by HHL and accordingly both consider themselves discharged from further performance of the SPA. The Company and Amco are claiming damages against HHL for breach of contract. In addition, the Group and Amco intend to seek relief from other entities within or connected to the Pollen Street Capital group, including Honeycomb Investment Trust plc, Shawbrook Bank Limited, Pollen Street Capital Limited and Pollen Street Capital Holdings Limited, for procuring or inducing the breach by HHL of the SPA, as well as reserving their position to take all other measures against and seek other relief from HHL and its connected entities in respect of HHL's breach of the SPA.

Trading and dividend

The Group achieved a small profit after tax for the year of £0.1m. The Group completed new committed lending of £498m during the year ending 31 December 2019 although this has since been revised down to £191m due to specific borrower performance.

The final dividend for 2018 of 1.67 pence per share was approved at the AGM and paid in May 2019. An interim dividend of 1.67 pence per share was paid in October 2019. Given the nature of the current COVID-19 pandemic and the market uncertainty it has created, the Board will not proceed with payment of the final instalment of the proposed 2019 dividend originally planned to be 3.33 pence per share and £5.3m in aggregate.

Given the impact of COVID-19 on the Group and the wider economy and post the failure of HHL to complete on the proposed transaction, the Board undertook a strategic review of its options. As a result of that review the Board took a decision in May 2020 to pursue an orderly wind down of the Group's loan portfolio in order to return capital to shareholders.

Board and governance

The corporate governance failings regarding the loan made to Urban Exposure Philanthropy Limited, announced on 5 May 2020, were obviously a major disappointment for shareholders and a matter of very significant regret for the Board. We have commissioned an independent inquiry to investigate the reasons for these failings, which we expect will report in July 2020. We appreciate the steps taken by Mr. and Mrs. Sandhu to ensure that the Group is made whole in respect of the loan.

Despite this the Board is committed to high standards of corporate governance and instilling the right culture, behaviour and approach to how we do business.

Given the changed nature of the Group going forward it is appropriate that there is a change in the composition of the Board to reflect the new strategy of the Group. Having helped steer the Group to this juncture I have decided that now is the right time to step down as Chairman at the Group's AGM in July 2020. The Group intends that Graham Warner, previously finance director of JO Hambro Capital Management Group Limited, will be appointed as a new independent non-executive director and will take over the role of non-executive Chairman. This appointment is subject to the customary nominated adviser due diligence and any disclosures required will be made at the time of his appointment.

In light of the revised strategy and requirements of the Group, its Chief Executive Officer, Randeesh Sandhu, and its chief operating officer, Daljit Sandhu, resigned from their positions with the Group and Company with immediate effect on 18 June 2020.

Chairman's Statement (continued)

As a result of these changes, Sam Dobbyn, the Chief Financial Officer of the Group, has now taken over executive management of the Group's operations and is appointed as our Chief Executive Officer. The senior personnel of the Group who are engaged in the day-to-day management of the loan portfolio and are experienced in dealing with the Group's borrowers and financing partners continue to manage those relationships going forward.

The Group concluded discussions regarding the potential sale of its loan book on the basis that, in the prevailing market environment, a sale of all or some of the loan book would not currently be as attractive to Shareholders compared to an orderly wind down of the Group.

Rabinder Takhar will be resigning his directorship and positions with the Group and the Company with effect from 30 June 2020 by reason of redundancy.

Our people

We know our business is nothing without our talented team and so investing in it is critical to our success. We foster an environment that offers meaning and purpose through aligning personal values with business objectives. We thank them for their patience and loyalty during this testing time. The safety and wellbeing of our employees is of paramount importance. Our workforce has been working remotely from home with the same functionality they would have in the office. We continue to diligently heed government advice and our employees are briefed on all current guidance.

Our team leaders are focused on maintaining a healthy, collaborative and motivated workforce and are in constant contact with our employees to provide support as needed. We are proud that the dedication of the Urban Exposure team has not wavered, and we are as committed as ever to providing the flexible, innovative and high-quality level of service that our clients expect on a daily basis throughout this situation.

Learning & development

We have cultivated a learning environment and provided various experiential learning opportunities for all.

Diversity

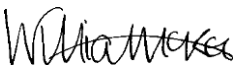
We believe that building diverse and inclusive teams is not just a generic business objective but good for business. We are committed to promoting an inclusive and empowering working environment for all.

Flexible working

We recognise how important it is for our employees to be able to balance responsibilities at work with responsibilities at home.

Gender equality

Gender parity is important to us and we want to be accountable for what we are doing to improve it. We want to ensure that we have equality in our hiring practices, equal representation across the different functions and fair treatment for all.



William McKee, CBE
Chairman

Chief Executive Officer's Review

Trading and dividend

The Group reported an operating profit before exceptional items of £0.8m for the year (2018: loss of £1.1m). Overall, the Group reported a small profit after tax in its first full year of trading. The Group paid an interim dividend of 1.67 pence per share for the year ended 31 December 2019. Due to the impact of COVID-19 and the market uncertainty it has created the Board will not proceed with payment of the final instalment of the proposed 2019 dividend of 3.33 pence per share.

New Committed Loans and Pipeline

The real estate development finance industry is typically seasonal with a greater weighting of deals being completed in the last quarter of the year. This was very much the case in H2 2019, with uncertainty surrounding Brexit and the UK general election compounding the trend for transactions to close towards year end.

However, despite the market uncertainty experienced over the course of 2019, the Group was able to complete £498m of new committed loans (2018: £525m), of which £400m of new commitments were completed in H2 2019. Due to specific borrower performance these new committed loans were reduced to £191m post the year end.

The new committed loans, as reduced to £191m post year end, are expected to translate into £13.3m of projected aggregate income, which will eventually be recognised in earnings over the life of the loans.

Loan Credit Quality

The credit quality of underwritten loans is critical to any lender, however as a specialist real estate development provider we place additional emphasis on the importance of maintaining excellent underwriting standards.

Our focus on risk and loan portfolio quality, can be measured by the weighted average loan to gross development value (WA LTGDV), which was 68% at FY 2019 (2018: 67%). This represents a conservative position and is below our stated guidelines of a maximum WALTGDV of 75%.

A number of the residential schemes that we are supporting with a development loan also benefit from unit pre-sales. As these sales are secured with a deposit paid by the pre-purchaser, they help to reduce the overall sales-risk of the loans. In total pre-sold units (by value) account for 28% of the gross development value of residential schemes currently being funded.

It should also be noted that in addition to the underlying property security we will often obtain additional recourse, in the form of guarantees or cash on deposit, which further enhances the risk profile of the loans.

When viewed in conjunction with the Group's WA IRR of 11% (2018: 10%) and WA Money Multiple of 1.15x (FY 2018: 1.15x), it demonstrates our ability to generate attractive risk-adjusted returns on our loan portfolio.

Capital

Over the course of 2019 the Group managed to raise further capital for deployment into property development loans. Our senior secure debt facility with UBS into the Kohlberg Kravis Roberts ("KKR") partnership was increased from £165m to £300m, with the advance rate provided by UBS also increased.

Capital has also been raised from institutional investors to support individual loans. With co-funding agreements put in place in total raising £9.7m and a further £42.4m raised on two new loans early in 2020.

Sale to Honeycomb Holdings Limited ("HHL")

On March 2020 the Group announced the proposed the disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Group's partnership with KKR. We believed at the time that this sale was in the best interest of shareholders given how the share price had performed during the year. This disposal was subject to shareholder approval which was obtained at a general meeting of the Group on 30 March 2020.

Chief Executive Officer's Review (continued)

The Group received a purported notice of termination from HHL of the SPA between the Group, HHL and Urban Exposure Amco Limited ("Amco") dated 10 March 2020 for the purchase by HHL of the issued share capital of Lendco. The Group and Amco consider that there was no valid basis for the purported termination of the SPA by HHL and that HHL has acted in repudiatory breach of the SPA. The Group and Amco have accepted this repudiatory breach of contract by HHL and accordingly the Group and Amco consider themselves discharged from further performance of the SPA. The Group and Amco are claiming damages against HHL for breach of contract. In addition, the Group and Amco intend to seek relief from other entities within or connected to the Pollen Street Capital group, including Honeycomb Investment Trust plc, Shawbrook Bank Limited, Pollen Street Capital Limited and Pollen Street Capital Holdings Limited, for procuring or inducing the breach by HHL of the SPA, as well as reserving their position to take all other measures against and seek other relief from HHL and its connected entities in respect of HHL's breach of the SPA.

COVID-19

The welfare of our colleagues, clients and partners has been our priority since the outbreak of the COVID-19 pandemic. We have been in close communication with our client base in connection with their response to the advice of Government and health authorities to help prevent the spread of the virus, in particular in respect of Health & Safety measures on construction sites.

The Group continues to operate with its business continuity plan in place. Our workforce is now working remotely from home with the same functionality they would have in the office. Inevitably the business will be impacted by COVID-19 and the issues that it is causing across the real estate market, and beyond in the wider economy. Along with many other businesses, the Group has taken action to reduce costs and manage its cash flow to ensure the Group is well prepared for any possible further disruption from the impact of COVID-19.

The Group has conducted a comprehensive review of all loan facilities, insurances and contracts, and has conducted a detailed stress test of the loan portfolio. The Group believes that the loan portfolio is resilient in the face of unprecedented market conditions.

Furthermore, our funding facilities and partnership arrangements remain in place, and our balance sheet has no debt against it. We are working closely with our funding partners to continue to assess and mitigate any risks that may arise in the future.

UK Housing Market

Despite the resilience of the sector, it is clear that the uncertainty created by Brexit and the UK general election cast a shadow on the UK housing market for much of 2019.

As the uncertainty dissipated, a resurgence in confidence saw the housing market steadily gather momentum in the opening months of 2020. Activity levels and price growth were edging up thanks to continued robust labour market conditions, low borrowing costs and a more stable political backdrop.

The Covid-19 pandemic has however no doubt had an impact on the UK housing market. In March we saw lenders reduce the availability of mortgages and would be purchasers/vendors unable to transact due to the social distancing measures put in place by the UK government. Whilst we have since seen an improvement in mortgage lending, with some lenders reverting back to previous upper LTVs, we expect the ability of parties to transact on property sales to remain limited until social distancing measures are eased.

Whilst the impact of the pandemic on the value of UK residential property is yet to be fully determined, we do feel that sales rates and prices may face downward pressure in the near term. Although, to date we have been encouraged by borrowers reporting the completion of existing sales at pre-agreed prices and new sales being made with no material discount to marketed prices. Government measures to further support the housing market if necessary are also widely being discussed by commentators including the extension of the Government Help to Buy scheme plus possible Stamp Duty Land Tax reforms.

Looking forward

Following the strategic review, the Group has decided to focus entirely on the management of its existing loan portfolio to maturity in order to maximise the returns from the portfolio and return capital to the shareholders. To that end we believe that an orderly wind-down of the Group has the potential to produce net returns to shareholders in a range of 70p to 83p per ordinary share on a fully diluted basis. The Company estimates that 80% of proceeds should be returned to shareholders within 7 to 15 months. The Group will update shareholders on this at our half-yearly results announcement later in 2020.

The Strategic Report includes the Business Model, Market Review, Strategic Framework, Key Performance Indicators, Chairman's Statement, Chief Executive Officer's Review, Finance Review, Principal Risks and Uncertainties and Corporate Social Responsibility and has been reviewed by the Board and signed on its behalf by:

Sam Dobbyn
Chief Executive Officer

Financial Review

The Group's operating profit before exceptional items was £0.8m (2018: loss of £1.1m) and total reported profit after tax was £0.1m (2018: loss of £1.7m). This was primarily driven by an increase in income to £11.1m (2018: £3.9m) as both lending on balance sheet and the drawdown of loans increased on the prior Period. A full year's run rate versus the shorter comparative period also contributed to the increases in both income and operating costs.

The headline financial results for the year ended 31 December 2019 and the comparatives for the period from incorporation on 10 April 2018 to 31 December 2018 are presented below:

Income

£'m	Year ended 31 December 2019	Period ended 31 December 2018
Income	11.1	3.9
Operating costs	(10.3)	(5.0)
Operating profit/(loss) before exceptional items	**0.8**	**(1.1)**
Exceptional items	(0.5)	(0.9)
Finance costs	(0.1)	0.0
Profit/(loss) before taxation	**0.2**	**(2.0)**
Taxation	(0.1)	0.3
Profit/(loss) after taxation	**0.1**	**(1.7)**
Basic EPS	0.09p	(1.18p)
Diluted EPS	0.09p	(1.18p)
Dividend per share	1.67p	0.83p

Capital

£'m	Year ended 31 December 2019	Period ended 31 December 2018
Committed loan capital	918.9	524.5
Funds raised	144.7	371.0
Cash and cash equivalents	22.8	46.8
Tangible net assets	133.1	137.8
Tangible NAV per share - pence	84p	87p
Number of shares in issue (millions)	165.0	165.0
Number of shares in issue (excluding treasury shares) (millions)	158.5	158.5

Income

Income for the year was £11.1m (2018: £3.9m) including income from legacy contract receivables for the year of £0.1m (2018: £0.7m). Income includes £10.2m (2018: £3.2m) fair value income from loan receivables in the Group's balance sheet as result of a greater utilisation of the balance sheet as loans were deployed during the year.

Income from management fees and other income was £0.8m (2018: £nil) principally from fees earned on the Group's partnership with KKR. The increase in fees resulted from the deployment and draw down of loans throughout the year. A fair value loss of £0.2m was reported for the co-investment stake in this vehicle, which amounted to £6.7m at the year end. The fair value loss recognises the fact that the partnership incurred up front set up costs.

PAI for 2019's additional committed loans was £21.2m, which has been subsequently revised down to £13.3m post year end due to the cancellation of loan commitments (2018: £26.9m). The decrease in PAI compared to 2018 was as a result of lower lending as well as a greater proportion of that lending being completed through an asset management structure, for which the Group earns management fees. The 2018 PAI of £26.9m is now expected to increase to £33.6m as the loans written in 2018 have spent a greater proportion of time on balance sheet, earning interest and fees, than previously expected.

Operating expenses

The Group adopted a strategy for 2019 to invest significantly in its operations so that it had the capabilities to meet the growing demand for real estate development finance over the medium term. At the year end, total operating costs excluding exceptional items were £10.3m (2018: £5.0m) of which £4.9m represented staff costs and share based payments (2018: £3.6m) and £2.1m related to a reduction in the fair value of contract assets (2018: £nil). Costs on a like for like basis (adjusted for the impact of the shorter 2018 comparative period) decreased due to a reduction in variable compensation. Post the year end, the Group took the decision to reduce the bonus pool to £0.3m in response to the growing COVID-19 pandemic. It was noted that whilst the metrics set for 2019 had been partially met, given the current market uncertainties that are being experienced as a result of COVID-19, it would not be appropriate to make bonus payments at this time.

Exceptional items

Exceptional items of £0.5m for the year related to costs incurred in relation to the postponed retail bond of £0.3m and £0.4m cost to settle a legal dispute, offset by a recovery of £0.2m exceptional legal and professional fees in respect of the set-up of the KKR arrangement.

Exceptional costs for 2018 were in relation to the Group's IPO costs of £0.6m plus one-off professional fees of £0.3m.

Earnings per share

The basic profit per share for the year is 0.09p (2018: basic loss per share 1.18p) and the diluted profit per share is 0.09p (2018: diluted loss per share 1.18p), based on a weighted average number of shares in issue of 158,494,130 (2018: 145,793,865) and weighted average number of diluted shares in issue of 159,769,744 (2018: 145,793,865).

Dividends

During the year, the final dividend for 2018 of 1.67 pence was approved at the AGM and paid in May 2019. The Board approved an interim dividend for the period ended 30 June 2019 of 1.67 pence per ordinary share which was paid October 2019. The Board is not recommending a final dividend for the year given the nature of the current COVID-19 pandemic and the market uncertainty it has created.

Financial Review (continued)

Balance sheet

£'m	At 31 December 2019	At 31 December 2018
Non-current asset	22.8	18.9
Fair value of loans	103.6	89.5
Contract assets	0.3	3.2
Cash and cash equivalents	22.8	46.8
Other assets and liabilities	(3.9)	(7.9)
Net assets	**145.6**	**150.5**

Cash flow

£'m	Year ended 31 December 2019	Period ended 31 December 2018
Operating cash flows before movement in working capital	3.2	(1.4)
Change in working capital	(20.2)	(89.5)
Net cash outflow from operating activities	**(17.0)**	**(90.9)**
Capital expenditure	(0.1)	(0.4)
Net cash outflow from investing activities	**(0.1)**	**(0.4)**
Proceeds from issue of share capital	-	150.0
Share issue expenses	-	(6.7)
Share buyback	-	(5.2)
Lease liabilities paid	(0.3)	-
Dividends paid	(6.6)	-
Net cash (outflow) / inflow from financing activities	**(6.9)**	**138.1**
Net (decrease) / increase in cash and cash equivalents	(24.0)	46.8
Cash and cash equivalents brought forward	46.8	0.0
Cash and cash equivalents carried forward	**22.8**	**46.8**

Investments

During the year our investment in the partnership with KKR increased to £6.7m from £1.9m at 31 December 2018. This includes investments of £4.8m for the year offset by a fair value loss of £0.2m (2018: £nil).

To date £74.0m has been invested by the partnership to fund loan drawdowns of which the Group has a 9.1% share.

Loans receivable

The fair value of loans at the year end was £103.6m (2018: £89.5m). As at the year end none of these loans had credit issues impacting fair values. Due to the impact of COVID-19 it is possible that the fair values of some of these loans may be adversely affected in future periods.

Tangible fixed assets

The Group had tangible fixed assets of £3.7m at the year end (2018: £4.3m) of which £3.2m (2018: £3.8m) represents the right of use leasehold asset for the Group's offices. The remaining £0.5m (2018: £0.4m) represents furniture, fixtures and fittings and computer equipment.

Cash flow

The operating cash flows before movement in working capital of £3.2m (2018: negative £1.4m) reflects the fact that the Group made an operating profit before a £2.1m (2018: £nil) non cash reduction in the fair value of contract assets. This was as a result of a reduction in the expected returns, due to delays to the project, and lower expected market values related to the project.

The change in working capital reflects the increase in funds advanced on loans and other receivables as well an increase in fair values of £14.2m (2018: £89.7m), and an increase in the investment in the KKR partnership of £4.8m (2018: £1.9m).

Other notable cash movements for 2019 include the payment of the interim and final dividend for 2018 of 2.5 pence per share plus the payment of the 2019 interim dividend of 1.67 pence per share. Total dividend outflow in the year was £6.6m (2018: £nil).

The net outflow of cash for the year was £24.0m (2018: net inflow of £46.8m) resulting in cash and cash equivalents at year end of £22.8m (2018: £46.8m).

Sam Dobbyn
Chief Executive Officer

Principal Risks & Uncertainties

The Group's risk appetite sets out the level of risk that we are willing to accept in pursuit of our business objectives.

The Board is responsible for setting the Group's risk appetite and delegates the responsibility for the setting of limits and policies and monitoring of processes, systems and reporting to ensure that the Group is operating within the risk appetite to the Audit Committee.

Risk appetite statements have been created for each Level 1 Risk and Level 2 Risk category and provide an articulation of the Group's tolerance for risk in both qualitative measures and, where appropriate, quantitative terms. Level 1 Risks are defined as Credit Risk, Conduct Risk, Financial Risk, Operational Risk and Level 2 Risks are sub-sets of each Level 1 Risk.

COVID-19 has had a direct impact on each Level 1 Risk and the Board has considered in detail the methods employed by the first and second lines of defence, being the front line office staff and the governance structure of the Group to manage and mitigate those risks. The section below highlights the key actions taken by the Group as a direct result of the COVID-19 crisis.

The definition of risk for the Group has been created following discussions among the Group's Executive Committee and with members of the Audit Committee and the Board. They are used in mapping key risks and assessing their materiality, and ultimately underpin the Group's overall risk management framework.

The risk appetite statements are reviewed formally on an annual basis by the Board as part of planning and budget setting and the review of the Group's medium-term strategy. They combine a top-down view of the Group's overall risk capacity with a bottom-up view of the risk profile requested and recommended by the business area (which will have been previously discussed and reviewed by the Audit Committee).

Throughout the year, all aspects of the risk appetite statements (which are monitored by the Executive Committee) are reported to the Audit Committee and the Board. In particular, the Executive Committee is responsible for assessing the impact on the Group's risk appetite of any changes in circumstances (internal or external) that may warrant a change to the risk appetite statements, and recommending any consequent changes to the Audit Committee and the Board ahead of the scheduled annual review.

Overarching risk appetite statements

Overarching statements as detailed below express the Group's broad risk appetite at a 'whole business' level, whilst underlying limits cover specific aspects of the Group's operations.

We maintain stakeholder confidence – by operating the business in such a way that we deliver against key objectives, both financial and non-financial, and remain within our risk appetite.

We maintain adequate capital and liquid resources – we maintain a sufficient level of capital and liquidity to support effectively the lending and asset management activity of the business and to ensure that all liabilities are met as they fall due under both normal conditions and under a range of stress scenarios and regulatory guidance.

We protect our reputation – we are seen as an organisation that treats all our stakeholders fairly; we have no appetite for material negative or adverse reputational events.

We limit the potential for credit losses – by being aware of and managing key concentrations, lending in markets where we can demonstrate expertise and consistent with risk-adjusted returns.

We manage our operational risks effectively – we have a low tolerance of operational risk failures and ensure that all our people are properly trained, procedures are thoroughly documented, and supervisory controls and reporting methodologies are in place to minimise the impact of adverse operational risk events that disrupt customer service.

We demonstrate high standards of conduct and compliance – we have a low tolerance for material conduct and compliance-related adverse events, or breaches of a regulatory or legal nature, and will operate the business in such a way as to minimise the potential for such adverse events to occur.

Primary board risk appetite metrics & reporting

Periodically, the Board and management review the corporate plan, performance against the plan and the key underpinning assumptions. Reviews can take place more frequently if circumstances change.

The following tables detail risk appetite categories based on the current business plan.

The risk profile is reported monthly to the Executive Committee and bi-monthly to the Board, supported by commentary on an exception basis (Amber and Red indicators) where they are subject to review and challenge.

The metrics in respect of the categories provide both a point in time position (current month 'RAG' status) and an indication of direction of travel versus short and medium-term plans. As a consequence, the Board and Executive management are better equipped to decide, at an early stage, whether changes to the plan or to levels of risk appetite require further consideration.

Level 1 Risks, their potential impact on the Group and the manner in which those Level 1 Risks are mitigated are shown in the table below. Our core business is the origination and asset management of loans secured against property. The risks set out below are all considered key risks to our core business.

There are other risks associated with general financial uncertainty in the business (or in any other business), e.g. the loss of staff and insurance risk. These have been reviewed but are not considered key or principal risks.

Principal Risks & Uncertainties (continued)

Risk	Explanation of risk	Impact on the Group	Mitigation of risk
Credit risk	The Group is exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees.	A major loss could have a serious effect on Group profit.	The Group has stringent underwriting criteria which include third party valuations and a full legal documentation pack for each loan written by the Group. Further details of the Group's credit process are set out below.
Financial risk	A risk that the Group does not have sufficient capital and/or liquidity to fund its business.	A lack of capital and/or liquidity will result in the business not being able to fund its costs as they fall due or fund its lending to borrowers.	The Group does not commit to any loan to a borrower without clearly identifying how the loan will be funded over its life. The Group maintains a minimum level of liquidity to ensure that its 12-month projected operational costs are fully funded.
Conduct risk	Any action that leads to a breach in the regulatory or legal obligations of the Group.	Failure to comply with regulatory or legal obligations could result in fines being imposed on the Group.	Anti-Money Laundering checks are conducted for each loan as part of the Group's stringent underwriting criteria. Third party law firms are appointed on each loan written by the Group and the Group has zero tolerance for any material breaches of law or regulatory obligations.
Strategic Risk	Any action or event which leads to a change in business conditions or changes in market conditions.	A failure to respond effectively to changing conditions could lead to the Group incurring increased costs or missing market opportunities.	Changing market and business conditions are monitored by the Group and enable effective controls to be implemented on the occurrence of such conditions, such as the cessation of new lending and implementation of cost cutting measures.
Operational risk	Any action that leads to an interruption in the provision of business services by the Group.	A failure in the operations of the business may cause harm to the customers of the Group and may have an impact on the income of the business.	The Group seeks to ensure that it remains resilient to operational risk events through the maintenance of a robust control environment and transparent reporting of control failures and risk incidents.

COVID-19 Risk, Mitigation & Management of Risk

COVID-19 has impacted every Level 1 Risk of the Group. A summary of the Level 1 Risk, the impact of COVID-19 on the Level 1 Risk and the Management actions to mitigate and manage the Level 1 Risk is set out in the table below:

Level 1 Risk	Impact of COVID-19	Mitigation & management of risk
Credit risk	COVID-19 has the potential to reduce the fair value of the Group's loan portfolio.	Stress testing conducted on all loans to determine any potential credit losses. Stress testing suggests that impact of COVID-19 would have to cause significant and unlikely levels of increase in build costs and fall in property values before the Group would suffer losses to capital on its existing portfolio, albeit there would be a reduction in the fair value of the Group's loan portfolio.
Financial risk	COVID-19 has the potential to impact the capital and liquidity position of the Group as well as impact future earnings.	All new lending ceased to maintain capital and liquidity of the Group to ensure that the Group is able to operate through the crisis. Detailed and comprehensive cost-reduction plan has been implemented as the Group enters into an orderly wind down.
Conduct risk	COVID-19 has the potential to adversely impact the proper governance and control of the Group's business as well as adversely impacting customers, both borrowers and investors/syndication partners.	The governance structure of the Group is robust and has been able to function effectively throughout the crisis. Detailed and regular dialogue and contact with all borrower and investors/syndication partners maintained throughout crisis.
Strategic risk	COVID-19 has the potential to impact the future business of the Group.	In the short-term all new lending has ceased, whilst the Group manages its existing loan book, borrowers and investment/ syndication partners.
Operational risk	COVID-19 has the potential to impact all operational aspects of the business, business continuity, data management, financial crime, fraud, information security, people, physical security, and transaction processing.	Business continuity plan implemented with all staff Home Working. IT systems tested for robustness and maintenance of service delivery and IT security throughout crisis. Transaction processing maintained through crisis.

Principal Risks & Uncertainties (continued)

GDPR

As a business, we do not rely on significant volumes of third-party data, however we do handle personal client information in the process of complying with Anti Money Laundering checks. We have invested in third-party operational reviews to ensure our processes are compliant with GDPR.

Credit Committee

The Credit Committee during the year comprised of Rabinder Takhar (Chairman), Randeesh Sandhu and Daljit Sandhu. Following the change in Board and management in June 2020, the Credit Committee is now represented by Michael McMahon (Chairman), Sam Dobbyn, Karen Dunstan and Rob Pritchard.

The Committee meets once a week, or more frequently if required by the Committee Chairman.

The Committee is responsible for reviewing the credit policy and monitoring the performance of the credit portfolio with respect to the credit policy and current market conditions. In addition to this, the Committee will oversee new product approval, review of risk models, approval and monitoring of large exposures, and workouts. Recommendations for adjustment of policies are made to the Board as are requests for authorisation of new loans.

Following the change in strategy, the Committee will no longer oversee new product approval. It will focus entirely on monitoring the performance of the credit portfolio with respect to the credit policy and current market conditions.

The Committee is the second line of defence from a risk perspective, the first line being the underwriting team, which is comprised of underwriters with many years of experience of development finance transactions.

The Credit Committee approves or rejects transactions through a two-stage process. An initial Pre-Credit Approval is required for each transaction after Heads of Terms have been sent to the potential borrower. The Pre-Credit Meeting determines whether there is an initial approval to proceed and, if so, subject to which conditions; otherwise the transaction is declined. Unanimous approval of the Credit Committee is required before a transaction proceeds.

Final Credit meets after full due diligence has been completed, including, but not limited to, full Anti Money Laundering checks, full red book valuation, reports on title, an independent review of construction costs, programme and procurement, and loan facility and security documentation. Final Credit determines whether all Pre-Credit Approval conditions have been met and whether the results of the full due diligence exercise are satisfactory. The transaction is at this stage either declined or approved, subject to final conditions for funding.

Credit risk is key to the Group's business. At the underlying loan level, the Group seeks to mitigate a number of risks through a rigorous credit underwriting process:

Risk	Mitigating factor	
Planning	• Only fund schemes that have outline or full planning permission in place.	
Construction	• Only lend to experienced developers with typically a 10-year + track record in UK development. • Due diligence developers and professional team, including its main contractors and sub-contractors.	• Drawdowns are paid in arrears only once external project monitors verify the works, values and costs. • In-house capability to complete construction of any project – 'step-in' rights.

Risk	Mitigating factor	
Credit	• 100% of required equity taken up front prior to releasing first tranche of Urban Exposure loan. • Cost overrun guarantees trigger further injection of equity from borrower.	• Robust stress-testing of borrower's model. • Performance bonds to cover insolvency risk.
Sales	• Approval of developer's sales and marketing. • Facility LTGDV average 68% units (capped at 75%). • Pre-sales prior to funding with large deposits held in escrow – loan value typically predominantly lower than pre-sales value. • 30–40% fall in prices required to impact on capital – values in London fell by c. 22% during 2007–2009.	• Lending in areas with strong demand. • Only lending on projects with end priced in line with local market. • Requiring minimum 10% deposit, individuals only, UK residents.
Stamp duty changes	• Urban Exposure typically lends on low/mid end-priced developments – these projects have benefited from the recent SDLT reductions.	
Housing bubble	• Supply/Demand imbalance in the UK at its greatest since WWII. • UK population at all-time high and continuing to rise at record rates.	• Sizeable government initiatives and funding support to increase housing supply across the UK (incl. Help to Buy, SDLT reform, Lifetime ISAs, etc.).
Political climate	• Housing is always a key focus of any government given its significance to voters. Focused on areas where demand exceeds supply and lending on projects in line with government policy.	• The government has reiterated its support for the White Paper of 2017, which matches the Group's lending strategy also.
Interest rates	• Loans typically linked to LIBOR or LIBOR replacement (with LIBOR floor). • UE loans may require the borrower to be hedged against interest rate rises.	• End buyer mortgages are currently offered at historic lows, and this is expected to continue for the medium term.

Corporate Social Responsibility

At Urban Exposure we aim to ensure that we not only deliver value for shareholders but also for our other stakeholders such as employees, customers, suppliers, our environment, and the wider community.

Business Relationships

We work with a variety of different clients including borrowers who focus on property development across a broad range of asset classes, development finance brokers and institutional investors.

At Urban Exposure, we endeavour to provide our clients with the best possible service. In order to achieve this as a business we believe that we must be transparent and honest in our communications and it is imperative that we uphold high ethical and moral standards in all that we do. The Audit Committee and Board analyse the activities of the business and continuously monitor the effectiveness of our internal controls.

The logistics of our business require us to forge relationships with a wide variety of suppliers of services, both generally and as transactional counterparties: lawyers, surveyors, valuers, project managers, and other professional services firms. Our reputation is very important to us and, to help safeguard this, we will not knowingly do business with any organisation that does not share our commitment to dealing with stakeholders fairly, transparently and ethically. Our approach to procurement is based on the principles of competitive tendering and dealing with suppliers in a fair and open manner.

Furthermore, as an ethical employer, we take the elimination of modern slavery and/or human trafficking practices from our supply chain seriously, as required by the Modern Slavery Act 2015. Due to the nature of our business and our approach to governance, we assess that our supply chain is low risk but will keep this under assessment on a regular basis.

Employees

We have developed a framework to enable our employees to collaborate, innovate and reach their full potential. This has included establishing a groupwide objective management system through the objective and key results (OKRs) approach to driving performance. We have also reshaped our organisation and formed new teams to deliver a flexible, agile and high-quality level of service to our clients.

Culture and values

We believe in building a culture which unites our team to work towards our shared vision, purpose and goals. Transparency on every matter affecting employees is integral and we keep them informed about the financial indicators impacting the business and the wider industry. It is important that we continually provide ways to give our employees a voice in real time, with acknowledgement and appreciation for helping us improve and enhance the Group's resilience.

Diversity

Diversity is what makes the world interesting and we are extremely proud of our diverse workforce. We promote an inclusive and empowering positive working environment for all. This year we launched a women's leadership development program, who meet regularly and support one another through shared learning experiences and peer mentoring. We believe every employee should wholeheartedly be themselves at work so that we may draw on each other's skills and experiences to inspire and motivate one another.

Community and the environment

The Group understands the importance of giving back to the community and, as a result, we recognise the value of respecting and supporting the communities in which we operate, thereby improving the positive impact of business in society.

We believe resolutely in the principle of caring for the environment and, therefore, acknowledge our responsibility to do business in a manner that both protects and improves that environment, both in the present and for the benefit of future generations.

Accordingly, we strive to incorporate environmental good practice into our workplace, taking a sustainable approach to waste management, reducing our carbon emissions and using resources wisely across the business. For example, we have taken large steps in our commitment to delivering a paperless office, and we minimise business travel, providing teleconferencing facilities to enable employees to reduce the need to travel for meetings.

Shareholders
The Group has regular engagement with its shareholders, through the publication of our half year and full year financial reports. We have also had regular engagement regarding potential corporate activity (as described above) and we welcome the views of our shareholders. Key metrics for our shareholders are the share price and earnings per share.

Investor engagement includes the AGM, meetings with the Executive and Non-Executive Directors, and responding to questions raised by investors.

The Board always acts in the best interests of its shareholders and other stakeholders.

The Group is committed to maintaining the highest standards of corporate governance, an obligation that is wholly endorsed by the Board.

Section 172 Statement
The following disclosures describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) and forms the directors' statement required under section 414CZA of the Companies Act 2006 and these are detailed below and align with our focus on corporate social responsibility in addition to our duties to our stakeholders:

Business Conduct and Decisions
Any decisions taken that are material to the group are discussed with our shareholders and any other relevant stakeholders.

Business conduct
The Board is committed to high standards of corporate governance and instilling the right culture, behaviour and approach to how we do business. It is therefore essential that we manage our risks appropriately and continue to evolve our approach to risk management. The principal risks and uncertainties of our business are listed in the Risk Management report on 16 to 21. We have developed and regularly update our corporate risk register to manage our risk.

Principal Decisions

Corporate activity
As is detailed elsewhere in this report, the Group proposed the disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Group's partnership with KKR, the KKR trade investment. This disposal was subject to shareholder approval which was obtained at a general meeting of the Company on 30 March 2020. There was significant engagement with shareholders between the receipt of the offer for Lendco, following the Board's view that this offer was in the best interests of the shareholders, the formal announcement of the proposal following significant due diligence. This would have seen a return of capital to shareholders of around 73p per share.

The proposals received a majority vote in favour to proceed, however the Company received a purported notice of termination from HHL of the SPA relating to the purchase by HHL of the issued share capital of Lendco. The Company and Urban Exposure Amco Limited ("Amco") consider that there was no valid basis for the purported termination of the SPA by HHL and that HHL has acted in repudiatory breach of the SPA. The Company and Amco have accepted this repudiatory breach of contract by HHL and accordingly the Company and Amco consider themselves discharged from further performance of the SPA. The Company and Amco are claiming damages against HHL for breach of contract and are reserving their position to take all other measures against and seek other relief from HHL and its connected entities in respect of HHL's breach of the SPA.

Future strategy
The Board have considered the future strategy of the Group and has taken a decision to focus entirely on the management of its existing loan portfolio to maturity in order to maximise the returns from the portfolio and return capital to shareholders.

The responsibilities of the directors under the remaining section 172 statements; their duties to their employees, suppliers, customers, the environment and the interests of all shareholders are detailed further in the Corporate Social Responsibility report on the previous two pages.

Chairman's Introduction to Governance

The Board

The Board is responsible for the Group's strategic direction and long-term prosperity. It is accountable to shareholders for ensuring that the Group is appropriately managed and governed. The skill set of our Executive and Non-Executive Directors is appropriate for the size and nature of the business in order to deliver our strategy effectively.

Risk Management

The Board recognises the requirement to present a fair, balanced and understandable assessment of the Group's position and outlook, and to uphold a robust and transparent governance structure. The Board will regularly review that structure along with the effectiveness of internal controls, including financial, operational and compliance systems and risk management.

The Group strives to ensure best practice in relation to the effectiveness of its Board, accountability and governance. Board meetings are designed to be efficient and productive, coupled with a strong focus on the Group's KPIs and strategy. Our principal risks are outlined on 16 to 21.

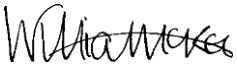
Culture

The Board seeks to ensure its leadership is accountable and that members demonstrate integrity and transparency in their leadership.

The Group aims to support its staff and be compliant with applicable regulations. The Group undertakes regular staff reviews. Feedback is acted upon and suggestions for improvement are shared within the Group.

UK Corporate Governance Code

The Group recognises the importance of good corporate governance and intends that best practice is adopted and applied in so far as it is appropriate for the Group given its entrepreneurial nature, its size and stage of development. As an AIM-traded company, the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') does not apply, however the Board intends to comply as far as possible with the requirements of the Corporate Governance guidelines published by the Quoted Companies Alliance (the QCA Guidelines) for AIM companies.



William McKee, CBE
Chairman

Board of Directors

At the date of this report, the Board was comprised of two executive directors: Rabinder Takhar and Sam Dobbyn; and three non-executive directors: William McKee as non-executive Chairman, Andrew Baddeley as Chairman of the Audit Committee, and Nigel Greenaway as Chairman of the Remuneration Committee.

Both Andrew Baddeley and Nigel Greenaway are deemed to be independent of the Group, with the exception of the fees that they receive as Directors and the Ordinary Shares they hold as disclosed on pages 32 to 36.

William McKee
Non-executive Chairman

William McKee, CBE, has acted on the boards of numerous companies, government bodies and local authorities including as CEO of the British Property Federation, Chairman of Tiffen Land Limited, Chairman of Thurrock Thames Gateway Development Corporation, and Chair of the Mayor of London's Outer London Commission. He is also a board member of the Mayor of London's Old Oak & Park Royal Development Corporation. William also acts as a member of the advisory committee for BPF Planning Committee and is Chair of the Mayor of London/London First Industry & Logistics Sounding Board. William was previously involved with the Urban Exposure business when it was a property development company. William was awarded a CBE in 2002 for services to the property industry and is an Honorary Member of the British Property Federation. As announced by the Company on 19 June 2020, William intends to retire as a director at the Company's AGM to be held in July 2020, following the change in strategic direction of the Group.

Sam Dobbyn
Chief Executive Officer

Sam is a chartered accountant with extensive experience of financial planning and investor relations. He was previously Head of Financial Planning and Analysis and Investor Relations at TP ICAP Plc, having previously held the same role at Brit Plc. He has over 15 years' experience in the financial services sector, including roles at ratings agency AM Best, Deloitte LLP and PwC LLP, and holds an Executive MBA from Warwick Business School.

Rabinder Takhar
Chief Risk Officer

Rabinder joined the Urban Exposure business in 2005 and previously served as Chairman to the business. He has over 25 years' experience in the acquisition, financing and growth of financial business and, since 2002 has been the CEO of AIM-quoted Orchard Funding Company Plc, which specialised in insurance premium finance and the professional fee funding market. He has previously held senior positions in several mortgage companies and, as an investment banker, was a founding member of Nikko Principal Finance and Head of Mortgage Principal Finance at Investec Bank Plc. As announced by the Company on 19 June 2020, Rabinder is resigning his directorship and positions with the Company and the Group with effect from 30 June 2020 by reason of redundancy.

Andrew Baddeley
Non-Executive Director

Andrew currently serves as Chief Financial Officer at wealth manager Tilney Group. He was previously Group Chief Financial Officer for TP ICAP Plc where he drove the completion of the ICAP acquisition as Tullett Prebon's Chief Financial Officer and led the planning and the initial implementation of the integration project. This followed 18 years in the insurance industry where Andrew was latterly Chief Financial Officer of Brit Limited through the IPO process and into the FTSE 250 with a £1 billion market capitalisation. Andrew qualified as a chartered accountant in 1987 and spent over 10 years with PwC and Ernst & Young. Andrew is currently a director of Hillcrest Residents Association Limited and serves on the Audit & Risk Committee of the Young Enterprise Trust.

Nigel Greenaway
Non-Executive Director

Nigel has 40 years' experience in the house building industry, with the final 30 as part of Persimmon Plc. Nigel served on the Persimmon board from 2013 until he retired in 2016 from his role as South Division Chief Executive, a role which he held from 2007. Nigel was one of the senior Persimmon team meeting with the Home Builders Federation and with the Government. Following his retirement from Persimmon, Nigel has maintained a number of private business interests in the property and construction industry

Board Committees

The Board is supported both by the Audit Committee and the Remuneration Committee, each of which has access to the resources, information and advice that it deems necessary, at the cost of the Group, in order to enable it to discharge its duties. These duties are set out in the Terms of Reference of each committee, copies of which are summarised on the Group's website. The executive directors are not members of any of the Board committees, however they may be invited to attend.

Board and committee attendance

The Board met on eleven occasions in the year ending 31 December 2019 and all six directors attended each meeting. The Board also held one meeting as a Committee of the Board. The Audit Committee met four times in the same period and all members attended all four meetings. The Remuneration Committee met four times in the year and Nigel Greenaway and William McKee attended all the meetings and Andrew Baddeley attended three out of four of the meetings.

Audit Committee

The Audit Committee is scheduled to meet at least twice a year and has been chaired throughout the year by Andrew Baddeley; its membership comprises all non-executive directors. The Chief Executive Officer, Chief Financial Officer and Chief Operating Officer attended Audit Committee meetings along with the external auditors.

The committee monitors the integrity of the financial statements of the Group, including the annual and interim reports, interim management statements, preliminary results announcements, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments that such reports, announcements and statements may contain, having regard to matters communicated to it by the auditor.

The committee is responsible for recommending the appointment, reappointment or removal, and remuneration of the external auditor.

The committee is also responsible for monitoring the effectiveness of the Group's internal financial controls in the context of the Group's overall risk management system and, specifically, considering and keeping under review whether the Group requires an internal audit function.

In addition, the committee is responsible for monitoring the Group's overall risk appetite, tolerance and strategy and advising internally on the risk exposures of the Group and future risk strategy.

Remuneration Committee

The Remuneration Committee is scheduled to meet at least once a year but meets more often as is required and has been chaired throughout the year by Nigel Greenaway; its membership comprises all non-executive directors. The Chief Executive Officer may be invited to attend meetings.

The committee determines and agrees with the Board the framework and broad policy for the remuneration and pension rights of the Group's Chairman, executive directors and such other senior employees as it is requested by the Board to consider.

The remuneration of non-executive directors is a matter for the Board or the shareholders (within the limits set in the Articles of Association). No director or senior manager is involved in any decisions as to their own remuneration. The committee makes recommendations and monitors the level and structure of remuneration for senior management.

The committee takes into account all factors that it deems necessary, including relevant legal and regulatory requirements and the provisions and recommendations of relevant guidance. These require the policy and associated procedures and practices to be consistent with, and to promote, sound and effective risk management in accordance with the remuneration principles. The objective is to ensure that members of the executive management of the Group are provided with appropriate incentives to encourage enhanced performance, and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

In assessing the efficacy of the remuneration policy, the committee will obtain practicable, reliable and up-to-date information about remuneration in other comparable businesses and shall have full authority to appoint remuneration consultants within any budgetary constraints imposed by the Board.

The committee shall approve the design of, and determine targets for, any performance-related pay schemes operated by the Group and will approve the total annual payments made under such schemes. The committee shall also review the design of all share incentive plans for approval by the Board, determining each year whether awards will be made and, if so, the overall amount of such awards, the individual awards to executive directors, and the performance targets to be used.

The committee shall, in consultation with the Chairman and the Chief Executive Officer respectively, determine the total individual remuneration package for the Chief Executive Officer, and each senior executive including bonuses, incentive payments and share awards, having regard to relevant legal requirements, the provisions and recommendations in the QCA Code, the AIM Rules and associated guidance.

The committee is also responsible for reviewing the structure, size and composition, including skills, knowledge, experience and diversity, of the Board and making recommendations to the Board with regards to any changes, and giving full consideration to succession planning for directors and other senior executives.

Executive Committee

The Executive Committee is not a committee of the Board. It is chaired by the Chief Executive Officer and is scheduled to meet on a monthly basis. It is comprised of the senior management of the business. The committee oversees the day to day operational management of the business. The minutes of the executive committee are now circulated to the Board for their information.

Relations and communications with shareholders

The Group both encourages and welcomes dialogue with its institutional shareholders in order that the Group can assess the views and requirements of those shareholders. Members of the Board have met with major shareholders to discuss the future strategic direction of the Group. The Chief Executive Officer will meet major shareholders following the announcement of both the results to 31 December 2019 and interim results for the six months ending 30 June 2020, and at other times deemed appropriate during the year. The AGM also provides a forum for investors to meet the directors and discuss questions or matters affecting the Group.

UK Corporate Governance Code

Urban Exposure Plc (the 'Company') recognises the importance of good corporate governance and intends that best practice is adopted and applied insofar as it is appropriate for the Group given its entrepreneurial nature, its size and stage of development. As an AIM-traded company, the UK Corporate Governance Code issued by the Financial Reporting Council ("FRC") does not apply, however the Board intends to comply as far as possible with the requirements of the Corporate Governance guidelines published by the Quoted Companies Alliance (the QCA Guidelines) for AIM companies.

Audit Committee Report

The Audit Committee meets at least twice a year and has been chaired throughout the year by Andrew Baddeley; its membership as at 31 December 2019, in addition to the Chairman, comprised William McKee and Nigel Greenaway, all of whom are non-executive directors of the Group.

Duties and terms of reference

The committee monitors the integrity of the financial statements of the Group, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments that they contain.

The committee reviews and challenges, where necessary, the consistency of, and any changes to, the accounting policies across the Group. It considers the clarity of the disclosures in the Group's financial reports, in addition to the context in which statements are made, and all material information presented with the financial statements, such as the business, strategic and financial reviews together with the corporate governance statements.

The committee keeps under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems, and monitors and reviews the effectiveness of the Group's internal financial controls in the context of the Group's overall risk management system and, specifically, considers and keeps under review whether the Group requires an internal audit function.

The committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditor. The committee also oversees the relationship with the external auditor including, but not limited to, recommendations on its remuneration, developing a policy for the supply of non-audit services, monitoring adherence to that policy, and approving fees for such non-audit services, and ensuring that the level of fees for the audit is appropriate to enable an effective and high quality audit to be conducted.

The committee considers the terms of engagement of the external auditor, including the engagement letters issued at the start of the audit and the scope of the audit, assessing its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services. The committee meets the external auditor at least once a year, without management being present, to discuss its remit, and any issues arising from the audit.

Activities during the year

During the year ended 31 December 2019, the committee met on four occasions and among other matters:

- reviewed the appropriateness of the accounting policies used in preparing the Group's financial statements;
- reviewed and approved the audited annual financial statements for the year ended 31 December 2018;
- considered the external auditor's report on its review of the audited financial statements for the year ended 31 December 2018;
- reviewed and approved the unaudited interim financial statements for the period to 30 June 2019;
- considered the external auditor's report on its review of the unaudited interim financial statements for the period to 30 June 2019; and
- discussed with the external auditor the audit plan for the period to 31 December 2019, with accounting for loan receivables, revenue recognition, share- based payments, and management override of controls being identified as significant risk areas.

Significant accounting matters

During the year, the committee considered key accounting issues, matters and judgments in relation to the Group's financial statements and disclosures relating to:

Accounting for the partnership agreement with KKR

The committee considered whether the Group had either joint control or significant influence over the agreement between the Group and KKR, and determined it should continue to be accounted for as a general trade investment under IFRS 9, held at fair value at the reporting date and accounted for at fair value through profit and loss.

Accounting for loan receivables

The committee considered the loans made by the Group, evaluating the recoverability of balances, management's intended approach to managing the loan book, the fair value of the loans, and the basis of recognising earnings from the portfolio. The committee concluded that the loans should continue to be accounted for under IFRS 9 and held at fair value through profit and loss.

Share-based payments

The committee evaluated the valuation and resulting expense to be recorded in respect of the share options accounted for as share-based payments under IFRS 2.

Internal controls

The committee is satisfied that the current controls are effective in the context of the Group's overall risk management framework, given the size of the Group. Any internal control system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

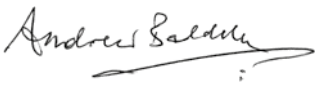
Internal audit function

The Group has a system of internal controls that is reviewed by the external auditor as part of the annual audit. The committee considers that the internal controls are appropriate for the present stage of development. The committee regularly considers whether there is a need for an internal audit function and reports its findings to the Board. The committee and Board do not believe that there is currently a need for an internal audit function over and above the existing activities performed by management, but this position will continue to be reviewed.

External auditor

The Group has awarded a number of non-audit assignments to BDO LLP, such as tax advisory work and is conscious of the need to ensure its independence and objectivity is not compromised. The committee determined that the award of non-audit assignments to BDO LLP did not compromise its independence on the basis that different teams worked on the separate engagements. The committee continues to believe that, in some circumstances, the external auditor's understanding of the Group's business can be beneficial in improving the efficiency and effectiveness of advisory work. For this reason, we have continued to appoint BDO for the provision of tax services, with an estimated fee of £24,000 (inclusive of VAT at 20%).

The committee will keep under review the provider of audit and non-audit assignments and future non-audit services will be authorised on the basis that they are permissible under regulations relating to listed entities.



Andrew Baddeley
Chairman, Audit Committee
25 June 2020

Remuneration Committee Report

The Remuneration Committee is chaired by Nigel Greenaway; its membership as at 31 December 2019, in addition to the Chairman, comprises William McKee and Andrew Baddeley, both of whom are non-executive directors of the Group.

The Committee, following consultation with the Chief Executive Officer, determines the specific remuneration packages for certain senior managers, including base salary, annual bonus, participation in an equity incentive share option scheme (Long-Term Incentive Plan 'LTIP'), benefits and terms of employment.

The Committee is responsible for approving the scope of the annual base salary review for all staff across the Group. The Committee also reviews the application of the performance conditions for the LTIP and may vary the performance condition or the level of vesting, if it considers appropriate, to reflect real performance. The Committee ensures that the Group's remuneration policy complies with applicable regulations and any associated reporting obligations.

Where appropriate, the Group adheres to the principles and requirements of the QCA Corporate Governance Code (the 'Code') and the recommendations set out in the associated QCA Remuneration Committee Guide for Small and Mid-Size Quoted Companies. This report has been prepared in accordance with the expectations and recommendations of the Code and associated Guidance, although the Remuneration Committee recognises that, in some respects, this report does not fully meet those recommendations.

The Remuneration Committee considers that the contents of this report provide an appropriate level of disclosure to shareholders at present in light of the relatively short period of time since the Group listed on AIM and the continuing development of the Group's remuneration policy since that listing.

Composition of the Board

The Remuneration Committee has undertaken to a review of the composition of its Board as a result of the change in the Group's strategy post the Year end. The changes made to the Board are detailed in the Chairman's statement (see pages 7 to 8).

Activities during the year

The Committee met four times during the year. At these meetings, the Committee considered the planned salary reviews, executive directors' performance, the level of discretionary bonus awards and their partial deferral into shares, and the LTIP awards and performance metrics.

Response to COVID-19 market conditions

Due to the extraordinary circumstances at the time of writing, the Group has taken action to reduce costs to ensure it can weather the significant disruption from the impact of the COVID-19 pandemic. Specifically, at the time of writing, the Group has:

- Reduced headcount, through a combination of both the Government furlough scheme and reducing hours of some staff, in respect of 13 roles (including reducing hours of the CRO) and cancelling new hires in respect of 3 roles (out of a total staff base of 30).
- In light of general performance determined that no bonuses will be paid for the 2019 year, which achieved a cost saving of £2.1m.
- Reduced pay by 10% for the then CEO, COO, CRO and CFO on a temporary basis from 1 May 2020 for a minimum of three months.

Remuneration principles and 2019 approach

The Group recognises the importance of recruiting and retaining suitable executives and staff to support the effectiveness and efficiency of the business. To achieve this, the Committee is tasked with providing a competitive package of incentives and rewards, with the aim of aligning personal reward with increased shareholder value over both the short and longer term. To that end, we operate the following remuneration framework:

Element	Operation	Approach in 2019
Salary	Annual salary is targeted to be competitive in the sector and allow the Group to attract and retain the best talent in the industry. Salaries are reviewed regularly to ensure that they remain competitive, with reference to sector peers and other companies of similar size and complexity.	During the year, the Committee sought advice on remuneration levels for executive directors and other employees, and reviewed salary levels in the context of market competitors.
Discretionary Bonus Scheme ('DBS')	The DBS is based on stretching financial and non-financial service and personal development orientated criteria. Under the DBS, executive directors and staff may receive a discretionary bonus, based on these criteria. Under the scheme part of the bonus is typically paid following the year end, after the signing of the financial statements. The remaining deferred element is paid in alignment with income recognition. At the Committee's discretion, certain recipients of an award under the DBS may be required to receive part of the bonus in shares in the Group for which there is a minimum holding period or performance hurdle.	The Committee assessed the performance of the executive directors during the year against their defined performance criteria and was satisfied that these targets have been met in part or in full. However given the current market uncertainties that are being experienced as a result of Covid-19, the Committee decided that it would not be appropriate to make bonus payments and that no bonus would be awarded for the 2019 performance period.
Long-Term Incentive Plan ('LTIP')	All employees are eligible to participate in order to align the entire team with the Group's investors in driving the business forward. Under the LTIP, employees are granted options over Ordinary Shares in the Group. The options may be exercised when certain performance criteria are met over a three-year period.	Initial awards under the LTIP were granted on Admission (2018), and may vest in three tranches after one, two and three years, subject to satisfaction of the performance conditions. In 2019 one out of the three performance conditions was met. This tranche of the LTIP vests on publication of the financial statements. A new 2019 LTIP scheme was not granted due to the Group's close period status which lasted for a vast majority of the year. The Group made the decision to not grant these at a later date as the measures were not met in 2019, and given the challenges and uncertainty of 2020, would have been difficult to meet as an average performance across three years.

Element	Operation	Approach in 2019
Benefits	The Group provides a competitive package of benefits including market comparable holiday, sick leave cover, and generous maternity provisions, based on length of service and incentives to return to work. Staff can opt into a private health insurance scheme including cover for their dependents, and a car allowance is available based on seniority and length of service.	Executive directors receive benefits in line with those offered to the wider workforce, the CEO also received a car allowance. One addition to the 2019 healthcare scheme was the inclusion of mental health cover.
Pension	All employees are eligible for pension contributions under the Group-wide pension scheme, in line with government requirements.	Executive directors received pension contributions under the Group Company-wide plan.
Non-Executive Director fees	Fees payable to the non-executive directors are set with reference to market data for sector peers and other companies of similar size and complexity. The Committee reviews fee levels regularly to ensure that they remain competitive.	Fees payable to the Group's non-executive directors were set on their appointment to the Group at Admission and have remained the same in 2019.

Summary of emoluments by individual director (audited)

The emoluments of the directors who served during the Year are set out in the table below.

	Base salary	Pension benefits	Other Benefits	Discretionary bonus – cash	Long-term incentives	Total remuneration 2019
Executive Directors						
Randeesh Sandhu*, Chief Executive Officer	425,000	1,308	16,998	-	-	443,306
Rabinder Takhar Chief Risk Officer	150,000	1,308	-	-	-	151,308
Sam Dobbyn**, Chief Financial Officer	124,359	654	245	-	-	125,258
Trevor DaCosta***, Finance Director	63,942	654	2202	-	-	66,798
Non-Executive Directors						
William McKee	60,000	-	-	-	-	60,000
Andrew Baddeley	55,000	-	-	-	-	55,000
Nigel Greenaway	55,000	1,308	-	-	-	56,308
Total	**933,301**	**5,232**	**19,445**	**-**	**-**	**957,978**

* Resigned on 18 June 2020.
** Appointed as a Director on 3 July 2019.
*** Resigned on 3 July 2019 (as CFO commenced post).

	Personal objectives	Performance outcome	Rating
Chief Executive Officer	Manage and grow the loan book whilst maintaining credit quality. Raise additional third-party capital through strengthening the investor base. Alignment of the organisational structure, people and culture with the business strategy. Implement and run a process of to consider alternative strategic options for the Group.	Grew the loan book by £498.5m. Vetted over 720 new deals Successfully managed the existing loan book with zero losses. Sourced additional capital from world class institutions. Sourced and hired a number of key function heads. Reinforced the Group's values through key initiatives throughout the year.	Partially met
Chief Financial Officer	Delivery of interim management reporting. Securing additional funding sources. Guidance to the market and management of investor relations.	Successfully delivered the interim reports. Led the Group's Asset Management team and assisted on a number of fundraising initiatives.	Partially met
Chief Risk Officer	Developing a risk management framework for the Group. Securing additional funding and develop third party investor interest in the Group. Developing new business lines. Managing the Urban Exposure application for Fund Manager permission and ongoing compliance.	Devised a risk management framework. Secured third party interest in the Group.	Partially met

An element of the 2018 DBS was subject to the achievement of a share price performance condition by 31 December 2021, this will therefore be included in directors' emoluments when this performance condition is met.

Discretionary Bonus Scheme

Bonuses are awarded from a Group-wide bonus pool, the size of which is determined by the Committee, based on performance with respect to key transactional KPIs for each year. For 2019, the DBS bonus pool performance criteria was based on the following three metrics:

- Fund raising – discretionary capital raised during the year
- Loan commitment – loans committed during the year; and
- Projected aggregate income from incremental loans committed during the year.

As previously noted, whilst the metrics for 2019 had been partially met, given the market conditions at the end of 2019, the evolving COVID-19 pandemic and current market uncertainties it was agreed no bonus for 2019 will be awarded.

Executive director performance objectives

The Committee considered the roles performed by, and the achievements of, each of the three executive directors, reflecting also on the activities of the Group during the year.

Long-Term Incentive Plan (2018 issue)

The LTIP is designed to incentivise employees to build long-term value for the Group and allow them to share in the value created. Share awards under the LTIP were initially granted on Admission with one third vesting after the publication of the Group's accounts each year over a three-year period. Awards vest subject to the satisfaction of three equally weighted performance targets, as set out below.

Performance is measured in three tranches: the first tranche was measured from Admission to 31 December 2018, the second tranche is measured for the year ended 31 December 2019, with the third and final tranche measured on performance in the year ending 31 December 2020.

- Annualised Total Shareholder Return ('TSR') (target range of 6.25–12.5%);
- Annualised Return on Equity ('ROE') (target range of 7.5–15%); and
- Committed loan volumes (target range of £250m).

Performance is measured on a straight-line basis between target levels. The Committee assessed performance for the second tranche of these awards in early 2020. The Group achieved the committed loan volumes measure only.

Summary of outstanding share-based awards

Details of all the executive directors' outstanding share-based awards are described in the table below:

	Award type	Granted in period ended 31 December 2018	Exercised	Lapsed	Outstanding at 31.12.19	Grant date	Vesting date
Randeesh Sandhu (3)	LTIP (IPO tranche 1)	52,632	–	35,088	17,544	09.05.18	2019(1)
	LTIP (IPO tranche 2)	52,632	–	35,088	17,544	09.05.18	2020(1)
	LTIP (IPO tranche 3)	52,631	–	–	52,631	09.05.18	2021(1)
		157,895		**70,176**	**87,719**		
Rabinder Takhar	LTIP (IPO tranche 1)	26,316	–	17,544	8,772	09.05.18	2019(1)
	LTIP (IPO tranche 2)	26,316	–	17,544	8,772	09.05.18	2020(1)
	LTIP (IPO tranche 3)	26,315	–	–	26,315	09.05.18	2021(1)
		78,947		**35,088**	**43,859**		
Trevor DaCosta (4)	LTIP (IPO tranche 1)	15,790	–	10,527	5,263	09.05.18	2019(1)
	LTIP (IPO tranche 2)	15,789	–	10,527	5,263	09.05.18	2020(1)
	LTIP (IPO tranche 3)	15,789	–	–	15,789	09.05.18	2021(1)
	MSO	50,000	–	–	50,000	09.05.18	09.05.21(2)
		97,368		**21,054**	**76,315**		

1. Awards vest, subject to satisfaction of the performance conditions above, on the publication of the Group's audited financial accounts following the end of the performance period.
2. Management Share Options 'MSO' – Awards vest subject to the recipient remaining employed and not under notice to leave the Group on or before the vesting date.
3. Randeesh Sandhu resigned as a director on 18 June 2020.
4. Trevor DaCosta resigned as a director on 3 July 2019.

Service contracts and directors' interests in the Company

Details of the commencement dates, notice periods, and shareholdings in respect of the executive and non-executive directors are as follows:

			Shareholdings Ordinary Shares			Unvested share awards	
	Date of appointment	**Length of service contract**	**Held at 31.12.18**	**Acquired during the year**	**Held at 31.12.19**	**Subject to performance**	**Subject to service only**
Randeesh Sandhu*	10.4.2018	12 months	3,307,500	–	3,307,500	87,719	–
Rabinder Takhar	30.4.2018	12 months	2,295,000	–	2,295,000	43,859	–
Trevor DaCosta**	10.4.2018	12 months	–	–	–	26,315	50,000
Sam Dobbyn	3.7.2019	12 months	–	–	–	–	–
William McKee	30.4.2018	3 months	39,500	2,102***	41,602	–	–
Andrew Baddeley	30.4.2018	3 months	50,000	–	50,000	–	–
Nigel Greenaway	30.4.2018	3 months	25,000	–	25,000	–	–

* Resigned as a Director on 18 June 2020
** Resigned as a Director on 3 July 2019
*** Shares acquired through re-investment of dividends

2020 Remuneration Policy

The remuneration committee will agree the 2020 salary, bonus and retention arrangements for the newly appointed Chief Executive Officer after evaluating appropriate incentivisation arrangements to align his compensation with maximising returns for shareholders from the wind down of the loan book.

Nigel Greenaway
Chairman, Remuneration Committee
25 June 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that legislation, the directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Group financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for the year. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may differ from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Sam Dobbyn
Chief Executive Officer
25 June 2020

Directors' Report

The directors present their report together with the audited consolidated financial statements for the year ended 31 December 2019.

Principal activities, review of business and other disclosure

Details of the Company's principal activities and a review of the business are included within the Strategic Report on pages 2 to 23.

Directors

The following directors hold office as at the date of this report:

- Sam Dobbyn (appointed 3 July 2019)
- Rabinder Takhar
- William McKee
- Andrew Baddeley
- Nigel Greenaway

Randeesh Sandhu resigned as a director on 18 June 2020.
Trevor DaCosta resigned as a director on 3 July 2019.
Rabinder Takhar is resigning his directorship and positions with the Company and the Group with effect from 30 June 2020.

Financial risk management

The Group is exposed to market risk (including interest rate risk and real estate market risk), credit risk and liquidity risk. The Group's Chief Risk Officer oversees the management of these risks with senior management, and the Board of directors has overall responsibility for the determination of the Group's risk management objectives and policies and it sets policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out in note 4 and the Principal Risks & Uncertainties section of the Strategic Report.

Directors' indemnity

The Group has arranged a qualifying third-party indemnity for all of its directors.

Directors' interests

The interests of directors who held office at 31 December 2019 are disclosed in the Remuneration Committee Report on pages 30 to 36.

Dividends

In May 2019, a final dividend in respect of the Period ended 31 December 2018 of 1.67p was paid to the holders of its Ordinary Shares. On 18 October 2019 an interim dividend of 1.67p for the year ended 31 December 2019 was paid to the holders of its Ordinary Shares.

There will be no final dividend for the year ended 31 December 2019.

Share capital

As at 31 December 2019, the issued share capital of the Company was 165,000,000 Ordinary Shares (including 6,505,870 shares held in treasury).

Voting rights

The Company's Articles of Association provide that a resolution put to the vote of a general meeting must be decided on a show of hands unless a poll is duly demanded in accordance with the articles.

Articles of Association

The Company's Articles of Association may only be amended by the unanimous approval of the Company's shareholders.

Shareholders

A register of the Company's major shareholders can be found on the Company's website.

Annual General Meeting

The AGM will be held at the offices of Hogan Lovells International LLP, Atlantic House, 50 Holborn Viaduct, London EC1A 2FG.

Significant agreements
The Group has entered into one significant partnership agreement with KKR.

Auditor
BDO LLP is in office as the Group Company's auditor.

Disclosure of information to the Group's auditor
In accordance with the provisions of section 418 of the Companies Act 2006, the directors who held office at the date of this report each confirm that:

- so far as they are aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Group's auditor is unaware; and
- they have taken all steps required of a director to make themselves aware of any relevant audit information (as defined) and to establish that the Group's auditor is aware of that information.

Post-balance sheet events
On 10 March 2020, the Group proposed the disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Company's partnership with KKR & Co. This disposal was subject to shareholder approval which was obtained at a general meeting of the Group on 30 March 2020.

The Company received a purported notice of termination from HHL of the SPA. The Company and Amco consider that there was no valid basis for the purported termination of the SPA by HHL and that HHL has acted in repudiatory breach of the SPA. The Company and Amco have accepted this repudiatory breach of contract by HHL and accordingly the Company and Amco consider themselves discharged from further performance of the SPA. The Company and Amco are claiming damages against HHL for breach of contract. In addition, the Company and Amco intend to seek relief from other entities within or connected to the Pollen Street Capital group, including Honeycomb Investment Trust plc, Shawbrook Bank Limited, Pollen Street Capital Limited and Pollen Street Capital Holdings Limited, for procuring or inducing the breach by HHL of the SPA, as well as reserving their position to take all other measures against and seek other relief from HHL and its connected entities in respect of HHL's breach of the SPA.

Since the balance sheet date, the COVID-19 pandemic has had a major impact around the world, with many countries introducing restrictions on free movement. This has had a major impact on the economy and also had significant impact on the construction industry trying to operate under national "lockdown" restrictions. More information can be found within note 30 on page 86.

Related Party Transaction/Compliance with section 200 Companies Act 2006 and AIM Rule 13
On 1 October 2019, Urban Exposure Lendco Limited ("Lendco") entered into a Loan Agreement with Urban Exposure Philanthropy Limited ("UEP") under which Lendco agreed to lend, interest free, up to a maximum amount of £701,883 to UEP. On 10 January 2020, the benefit of the loan was novated by Lendco to Urban Exposure Amco Limited ("Amco") and the amount of the loan facility was increased to £1,235,646. As at 25 June 2020, the amount outstanding under the loan is £906,695. The loan is repayable by UEP on demand.

The purpose of the loan was to fund a commitment made by UEP to finance the refurbishment and operation by the Harris Federation of a nursery school in south-east London, pending UEP receiving charitable donations from third parties in respect of that commitment. UEP gifted all amounts drawn down under the loan to the Harris Federation.

UEP is a private company limited by guarantee which is owned and controlled by Randeesh and Daljit Sandhu. Mr. Sandhu is a director of the Company and Mr. and Mrs. Sandhu were both directors of Lendco and Amco. Therefore, UEP was a related party of Mr. Sandhu for the purposes of the AIM Rules for Companies and is a connected person of Mr. Sandhu for the purposes of the Companies Act 2006.

In light of the size of the loan relative to the Company's profits for the year ended 31 December 2019, the Loan Agreement (and the increase in the loan amount) was a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies. Rule 13 requires that, prior to entry into a related party transaction, the independent directors of the Company must have determined that the transaction is fair and reasonable insofar as Company's shareholders are concerned, having consulted with Company's nominated adviser. In addition, a public announcement including details of the related party transaction and the fair and reasonable confirmation must be made as soon as the terms of the transaction have been agreed. These requirements were not observed by the Company.

Directors' Report (continued)

Further, because UEP was a connected person of each of Mr. and Mrs. Sandhu for the purposes of the Companies Act 2006, the arrangements were required to be approved by Company's shareholders as a loan to a connected party of a director pursuant to section 200 of the Companies Act 2006. This shareholder approval was not obtained. Accordingly, under section 213(2) of the Companies Act 2006, the loan is voidable by Amco unless either (a) restitution of the loan is no longer possible or (b) Amco is indemnified for any loss or damage resulting from the loan. In addition, under sections 213(3) and (4) of the Companies Act, each of (a) UEP, (b) Mr. and Mrs. Sandhu and (c) any other director of Lendco and Amco who authorised the loan are jointly and severally liable to indemnify Amco for any loss or damage resulting from the loan, unless, in the case of (c) that director can show at the time the relevant transaction was entered into, he did not know the relevant circumstances constituting the contravention of the Companies Act 2006.

As announced by the Company on 5 May 2020, the board of directors have asked an independent third party to conduct an inquiry into the governance circumstances concerning the making of the loan. An independent law firm has been instructed to undertake the inquiry and it is expected that the inquiry will be completed in July 2020.

The UEP loan was advanced by the Group on the basis that it would be repaid from UEP's fund raising activities and from contributions from the Group's staff. Mr. and Mrs. Sandhu have now agreed with the Company that they will procure that the UEP Loan is repaid in full to the Company before 31 December 2020 (the "UEP Loan Repayment Agreement"). This commitment is being secured by Mr. and Mrs. Sandhu by the deposit into an escrow arrangement of 2.8 million ordinary shares of the Company beneficially owned by Mr. and Mrs. Sandhu with the Company being able to require the sale of the shares from escrow and the proceeds (up to the amount then owing under the UEP loan) being used to repay the Company. Mr. and Mrs. Sandhu may make payment, or part payment, of the UEP Loan in advance of 31 December 2020, in which case a corresponding portion of the shares in escrow will be released to Mr. and Mrs. Sandhu. Entry into the UEP Loan Repayment Agreement is a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies.

Going concern

Having considered the Group's funding position and financial projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they have adopted the going concern basis in preparing the financial statements.

Political donations

The Group and/or Company did not make any political donations during the year.

Future developments

Future developments in the business of the Group are set out in the Strategic Report on pages 2 to 23.

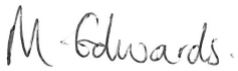
Directors' authority to buy back shares

The directors believe that the most effective means of minimising any discount to Net Asset Value which may arise on the Company's share price is to deliver strong, consistent performance from the Company's investment portfolio, in both absolute and relative terms. However, the Board recognises that wider market conditions and other considerations will affect the rating of the shares in the short term and the Board may seek to limit the level and volatility of any discount to Net Asset Value at which the shares may trade. The means by which this might be done could include the Company repurchasing shares. Therefore, subject to the requirements of the AIM Rules, the Companies Act 2006, the Articles of Association and other applicable legislation, the Company may purchase shares in the market in order to address any imbalance between the supply of and demand for shares or to enhance the Net Asset Value of shares.

In deciding whether to make any such purchases, the directors will have regard to what they believe to be in the best interests of shareholders and in accordance with applicable legislation which requires the directors to be satisfied on reasonable grounds that the Company will, immediately after any such repurchase, satisfy a solvency test prescribed by the Companies Act 2006 and any other requirements in its Memorandum and Articles of Incorporation. The making and timing of any buybacks will be at the absolute discretion of the Board and not at the option of the shareholders. Any such repurchases would only be made through the market for cash at a discount to Net Asset Value. The Company proposes passing a resolution granting the directors general authority to purchase in the market 14.99% of the shares in issue as at the date of the notice of the AGM at a price not exceeding the higher of (i) 5% above the average mid-market values of shares for the five business days before the purchase is made or (ii) the higher of the last independent trade or the highest current independent bid for shares. The directors intend to seek authority from the shareholders for this resolution at the Annual General Meeting.

Pursuant to this authority, and subject to the Companies Act 2006 and the discretion of the directors, the Company intends to make on-market own-share purchases at prices that are accretive to the Company's prevailing tangible net asset value per share, subject to the then funding requirements of the Group and, at least initially, the maintenance of a £10 million cash buffer, which is expected to reduce over time. Shares purchased by the Company may be cancelled or held as treasury shares. The Company may borrow and/or realise investments in order to finance such share purchases.

By resolution of the Board



Marie Edwards
Company Secretary
25 June 2020

Independent auditor's report to the members of Urban Exposure plc

Opinion

We have audited the financial statements of Urban Exposure plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Emphasis of matter: post balance sheet events

We draw your attention to the disclosures in note 30 to the financial statements, which explains that after the balance sheet date the directors have taken the decision to realise the Group's loan book through an orderly wind down and to subsequently return capital to shareholders. Covid-19 has also significantly impacted the Group's customers. These post balance sheet events may have an impact on the carrying value of the Group's assets. Our opinion is not modified in respect of these matters.

Emphasis of matter: related party loan

We draw your attention to note 29 to the financial statements which explains that during the year a loan of £907,000 was made to a related party without the prior approval of shareholders and therefore in contravention of Section 200 of the Companies Act 2006 and Rule 13 of the AIM Rules for Companies. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	**How the matter was addressed in our audit**
Valuation of loans (note 4) Loans receivable represent the largest element of the Group's net assets. As explained in note 4, these financial assets are measured at fair value through profit and loss, and the determination of fair value involves significant judgement and estimation. There is a risk that the carrying value is misstated if either the classification of the assets is inappropriate (based on the business model under which they are held), or the inputs and assumptions underlying the valuation calculation, such as borrower credit assessment, are inappropriate. Because of the judgements involved in determining the fair value of the loans, we determined this area to be a key audit matter.	We obtained the loan agreements and credit assessment documentation for each loan advanced. We obtained management's fair value calculations and considered the appropriateness of the methodology applied given the nature of the loans. Valuation inputs have been agreed to supporting documentation including the underlying loan agreements and we have performed our own fair valuation calculations to help assess the reasonableness of the company's own calculations. We agreed drawdowns paid prior to the year end to bank statements. We also obtained direct confirmation from a sample of borrowers of the loan principal and accrued interest outstanding at 31 December 2019. We discussed the status of each loan with the Group's credit team, including consideration of any changes in the credit assessment of each borrower as these could impact fair value. We also tested management's cash flow forecasts for each loan based on the loan documentation and supporting project appraisals. We also discussed with management the business model for the loans and considered the continued appropriateness of the held to sell classification and resultant measurement at fair value through profit and loss. Based on the work that we have performed we are satisfied that the judgements made by management in relation to the valuation of loans are appropriate.
De-recognition of loans and investments in related structures (note 4) As explained in Note 2, the Group's transaction strategy is to use its balance sheet as a temporary warehouse for loans that are executed, before moving them into an asset management structure. During the year ended 31 December 2019 the Group syndicated loans to lenders. There is a risk that the accounting treatment adopted in respect of the transfer or syndication of loans and the classification and measurement of	We reviewed management's assessment of the nature of the investment in, and the de-recognition of loans on transfer into, the KKR partnership. We also considered the loans syndicated during the year. Our audit work included, but was not restricted to, the following:

the Group's remaining interests is not appropriate, and for this reason we determined this to be a key audit matter.	• We inspected the limited partnership agreement with KKR which details the rights and responsibilities of each party. • We also reviewed management's assessment of whether the syndicated loans meet the criteria for de-recognition under IFRS 9. This included inspection of the syndication agreements. We considered the appropriateness of the methodology given the nature of the loans and the cash flow and credit assumptions management used in valuing the investment and loans at 31 December 2019. • We agreed the valuation inputs to supporting documentation and tested the application and reasonableness of the valuation method. Based on the work that we have performed we consider the judgements made by management in respect of the de-recognition of loans and investments in related structures to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in the evaluation of the effect of misstatements on the audit and in forming our audit opinion. Materiality is assessed on both quantitative and qualitative grounds.

Materiality	£250,000
Performance materiality	£187,500
Reporting threshold	£5,000

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements.

We determined materiality for the Group financial statements as a whole to be £250,000 (2018 – £250,000). This provides a basis for determining the nature and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature and extent of further audit procedures.

As the Group continued to grow during its second year of operation we used a materiality level consistent with that in the prior year. This was calculated with reference to the level of the Group's income during the year which is what we consider to be most relevant to the users of the financial statements.

The principal activity of the Parent Company is that of a holding company. We set materiality for the Parent Company based on 90% of Group materiality, being £225,000 (2018 - £225,000).

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgement was that overall performance materiality for the Group should be 75% of materiality, namely £187,500 (2018 – 50% and £125,000).

Performance materiality for the Parent Company was also set at 75% of materiality, being £168,750 (2018 – 50% and £112,500).

Reporting threshold

We agreed with the Audit Committee that we would report to the Committee all individual audit differences in excess of £5,000 (2018 - £5,000) as well as differences below this threshold that, in our view, warranted reporting on qualitative grounds.

We agreed that the reporting threshold for the Parent Company would be £4,500 (2018 - £4,500).

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit

Our audit of the Group was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, applicable legal and regulatory framework and the industry in which it operates, and assessing the risks of material misstatement at the Group and Parent Company level. This included consideration of the risk that the Group was acting contrary to applicable laws and regulations, including fraud.

The Group operates solely in the United Kingdom and operates through one segment, underwriting and management of loans, structured through three operating subsidiary companies. Our audit approach was completed on the Group as a single component. The Group audit team performed all the work necessary to issue the Group and Parent Company audit opinions, including undertaking all of the audit work on the key audit matters.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Independent auditor's report to the members of Urban Exposure plc (continued)

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 37, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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

BDO LLP

Geraint Jones (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

25 June 2020

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

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2019

	Note	Year ended 31 December 2019 £000	Period ended 31 December 2018 £000
Income	5	**11,072**	**3,903**
Operating costs before exceptional items		(10,337)	(5,011)
Operating costs - Exceptional items	9	(474)	(869)
Operating costs – Total	7	**(10,811)**	**(5,880)**
Operating profit / (loss)	**6**	**261**	**(1,977)**
Finance costs	10	(94)	(12)
Profit/(loss) before taxation		**167**	**(1,989)**
Taxation	11	(23)	273
Profit/(loss) after taxation and total comprehensive income		**144**	**(1,716)**
EARNINGS PER SHARE			
Basic EPS	12	0.09p	(1.18p)
Diluted EPS	12	0.09p	(1.18p)

All activities derive from the continuing operations of the Group.

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The notes on pages 51 to 87 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	31 December 2019 £000	31 December 2018 £000
Non-current assets			
Intangible assets	14	12,488	12,674
Tangible assets	15	3,702	4,276
Investments	16	6,570	1,949
Total non-current assets		**22,760**	**18,899**
Current Assets			
Loans receivable	18	103,630	89,544
Trade and other receivables	19	1,745	3,693
Cash and cash equivalents	20	22,787	46,806
Total current assets		**128,162**	**140,043**
Total assets		**150,922**	**158,942**
Current liabilities			
Trade and other payables	21	1,829	3,217
Lease liabilities	22	295	229
Dividends payable	13	-	1,316
Total current liabilities		**2,124**	**4,762**
Total Assets less Current liabilities		**148,798**	**154,180**
Non-current liabilities			
Lease liabilities	22	3,068	3,576
Deferred tax	23	107	83
Total non-current liabilities		**3,175**	**3,659**
Net assets		**145,623**	**150,521**
Equity and reserves			
Share capital	24	1,700	1,700
Retained earnings		143,923	148,821
Total equity and reserves		**145,623**	**150,521**

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The Company Registration Number is 11302859.

The notes on pages 51 to 87 form an integral part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 25 June 2020 and were signed on its behalf by:

Sam Dobbyn
Chief Executive Officer

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Note	Share capital	Share premium	Retained earnings	Total equity
		£000	£000	£000	£000
Balance brought forward 1 January 2019		**1,700**	**-**	**148,821**	**150,521**
Profit for the year		-	-	144	144
Share-based payments	26	-	-	252	252
Dividends payable	13	-	-		-
Dividends paid	13	-	-	(5,294)	(5,294)
Balance at 31 December 2019		**1,700**	**-**	**143,923**	**145,623**
On incorporation at 10 April 2018		**-**	**-**	**-**	**-**
Loss for the Period		-	-	(1,716)	(1,716)
Share-based payments	26	-	-	480	480
Dividends payable	13	-	-	(1,316)	(1,316)
Issue of share capital	24	1,700	163,300	-	165,000
IPO costs related to equity issue		-	(6,722)	-	(6,722)
Capital reduction	25	-	(156,578)	156,578	-
Share buyback	25	-	-	(5,205)	(5,205)
Balance at 31 December 2018		**1,700**	**-**	**148,821**	**150,521**

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The notes on pages 51 to 87 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

For the year ended December 2019

	Note	Year ended 31 December 2019 £000	Period to 31 December 2018 £000
Cash flows from operating activities			
Profit / (loss) for the year/Period after taxation		144	(1,716)
Adjustments for non-cash items:			
Amortisation of intangible assets	6	186	122
Depreciation of tangible assets	6	442	-
Fair value reduction in contract assets	6	2,095	-
Share-based payments	7	252	480
Finance costs	10	94	12
Deferred tax charge / (credit) for year / Period	11	23	(273)
		3,236	(1,375)
Changes in working capital			
(Decrease) / increase in payables		(1,386)	2,160
Increase trade investments		(4,621)	(1,949)
Increase in receivables		(14,234)	(89,693)
Net cash outflow from operating activities		**(17,005)**	**(90,857)**
Cash flows from investing activities			
Payments for purchase of tangible assets	15	(97)	(410)
Net cash outflow from investing activities		**(97)**	**(410)**
Cash flows from financing activities			
Proceeds from the issue of share capital	24	-	150,000
Share issue expenses	25	-	(6,722)
Share buyback		-	(5,205)
Payments of lease liabilities	22	(307)	-
Dividends paid		(6,610)	-
Net cash (outflow) / inflow from financing activities		**(6,917)**	**138,073**
Net (decrease) / increase in cash and cash equivalents		(24,019)	46,806
Cash and cash equivalents brought forward		46,806	-
Cash and cash equivalents at 31 December 2019	20	**22,787**	**46,806**

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The notes on pages 51 to 87 form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

1. General Information and Basis of Preparation

General information

Urban Exposure Plc is a public limited Company in England and Wales with Company registration number 11302859. The Company's Ordinary Shares are traded on the Alternative Investment Market ("AIM"), operated by the London Stock Exchange.

The registered office of the Company is 6 Duke Street St. James's, London SW1Y 6BN. The Group's principal activity is the underwriting and management of loans to UK residential developers.

Year of account and Comparative Period of account

The Consolidated Financial Statements of the Group are in respect of the year ended 31 December 2019.

The comparatives within the Consolidated Financial Statements of the Group are for the period ("the Period") from incorporation on 10 April 2018 to 31 December 2018.

Basis of preparation

The consolidated Financial Statements of the Group comprise the results of Urban Exposure Plc (the "Company") and its subsidiaries (together, the "Group"). These Financial Statements have been prepared on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the European Union and in compliance with the Companies Act 2006.

The Financial Statements have been prepared on the historical cost basis, except for the trade investments and loan receivables held at fair value at the end of each reporting period, as explained in the accounting policies and in note 3. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The functional and presentational currency of the Group is Sterling.

The Company has applied the exemption allowed under Section 408(1b) of the Companies Act 2006 and has therefore not presented its own Statement of Comprehensive Income in these Financial Statements. The Group profit for the year includes a loss after taxation of £3,681,000 (2018: loss of after taxation of £82,000) for the Company.

Going concern

In preparing these financial statements, the Directors have considered the uncertainty created by COVID-19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Group will be determined by both the number of people infected, national and individual responses as well as our own business continuity actions.

The Group has successfully activated its business continuity plans to minimise the risk of disruption to business operations, considering Government advice and the need to safeguard the health of its employees as well as its borrowers.

The Directors have performed cash flow forecasts for a period of at least twelve months from the date of approval of the Annual Report which take account of reasonably possible downsides in relation to the timing and recovery of Loan Receivables. They have also considered the Group's latest budget and forecasts, current and forecast cash balances, and the results of sensitivity analysis and stress testing.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis. As a result of the impact of COVID-19 and the non-completion of the proposed Transaction with HHL the Group carried out a strategic review of its options in April 2020. Having completed the review, the Board took the decision to realise the value of the loan book through an orderly wind down and to subsequently return capital to shareholders. These actions may have an impact on the carrying value of the Group's assets which may require impairment although it is not possible for the Group to estimate this impact with a high degree of certainty.

Notes to the Consolidated Financial Statements continued

New standards, interpretations and amendments effective from the beginning of the year

New standards, interpretations and amendments effective from 1 January 2019

- IFRIC 23 Uncertainty over Income Tax Treatments (IFRIC 23)

The taxation accounting policy in note 2 reflects the amended Group policy. Note 3 further details the estimates and assumptions regarding current tax. There is no significant impact as a result of the implementation of this interpretation.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early.

The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Urban Exposure Plc does not expect these new accounting standards and amendments will have a material impact on the Group.

2. Significant Accounting Policies

Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and entities controlled by the Company (its subsidiaries) as at 31 December 2019. Subsidiaries are all entities over which the Company has control. The Company controls an investee when:

1. It has power over the investee
2. Is exposed, or has rights to variable returns from, its involvement with the investee; and
3. Has the ability to affect those returns through its power over the investee.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control as stated above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the ability to direct the relevant activities of the investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary. Where necessary, adjustments are made to the Financial Statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the Group, liabilities incurred by the Group and the equity interest issued by the Group in exchange for control of the business or assets and liabilities. Acquisition-related costs are recognised in the income statement as incurred.

The identifiable assets acquired and liabilities assumed are recognised at their fair values at the acquisition date. Goodwill is measured as the excess of the fair value of the consideration transferred over the fair value of the acquired assets less liabilities assumed at the acquisition date. If the fair value of the net assets acquired exceeds the fair value of the consideration transferred by the Group, this excess is recognised immediately in the income statement as a bargain investment gain.

Income recognition

The majority of the Group's income arises from movements in the fair value of loans receivable and trade investments which are held at fair value through profit and loss.

Asset management fees received from third parties for managing loan facilities are recognised in the income statement when the related service has been performed. Fees are chargeable based on the value of assets under management and are assessed and invoiced on a monthly basis.

The Group receives carried interest from third party loans it manages once those loans exceed a performance target. The recognition of variable consideration arising in relation to carried interest has been constrained in order that it is highly probable that there will not be a future reversal in the amount of revenue recognised when the final carried interest is calculated.

Where there is a significant financing component included in the transaction price (for example where fees are payable at the termination of a loan for services provided at inception or during the period of the loan), the income recognised is calculated by discounting the future cash flows at the interest rate implicit in the loan.

Financial instruments

Financial assets and liabilities are recognised on the Group's statement of financial position when the Group has become a party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the income statement are recognised immediately in the income statement.

Financial assets

Under IFRS 9, the Group is required to classify and measure financial assets according to the business model within which they are managed and the contractual terms of the cash flows. Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and their contractual cash flows represent solely payments of principal and interest. The Group has determined that trade and other receivables and cash and cash equivalents are financial assets which are measured at amortised cost.

Financial assets are measured at Fair Value Through Other Comprehensive Income ("FVTOCI") if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent solely payments of principal and interest. Other financial assets are measured at Fair Value Through Profit and Loss ("FVTPL").

The Group has reviewed the business model within which each financial asset is managed and concluded that loan receivables from primary operating activities should be measured at the FVTPL. The Group has also determined that certain trade investments and contract assets meet the criteria for IFRS 9 and should be measured at FVTPL For assets measured at FVTPL, at initial recognition, the Group measures the financial asset at its fair value and any transaction costs are expensed to the income statement. Following initial recognition, assets are subsequently valued at fair value on a recurring basis with gains or losses arising from changes in fair value recognised in the income statement.

Notes to the Consolidated Financial Statements continued

Contract assets
Contract assets are purchased financial assets. On acquisition these are recognised by discounting the estimated future cash flows at a rate reflecting the risk associated with the cash flows. These assets are subsequently measured at fair value with changes in fair value recorded in the income statement.

De-recognition of financial assets
A financial asset is derecognised when either the contractual rights to the cash flows expire, or the asset is transferred. The Group holds loan receivables until a suitable institutional capital provider gains control and assumes the risks and rewards of the loan receivable. At that point, the transfer is recorded at the transfer value. This proportion of the loan qualifies for de-recognition. The proportion of the loan which is not transferred will remain as a loan receivable and continue to be valued at fair value.

Financial liabilities
Trade payables and other short-term monetary liabilities are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

Intangible assets

Goodwill
Goodwill arising on the acquisition of subsidiaries or following a business combination is determined as detailed in the business combination accounting policy (see page 53).

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to the Group's 'Cash Generating Unit's (CGU's) expected to benefit from the synergies of the business combination. The CGUs to which goodwill have been allocated are tested for impairment annually, or more frequently when there is an indication that a unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit and recognised as an impairment in the income statement. Once an impairment loss is recognised, it cannot be reversed in a subsequent period.

On disposal of a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of that unit.

Other intangible assets
Intangible assets with finite lives are acquired separately at cost less accumulated amortisation and accumulated impairment losses. The Group's intangible assets comprise of the brand name acquired by the Group.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual value using the straight-line method over their estimated useful lives and is recognised as a charge in the income statement. Amortisation methods, useful lives and residual values are reviewed at each reporting date and are adjusted where appropriate.

The estimated useful economic lives for the intangible assets are as follows:

Brands: 10 years

Leased assets
Leases are recognised when the Group enters a contractual lease which conveys the right to control the use of identifiable assets for a period of time in exchange for consideration.

Upon lease commencement, a lessee recognises a right-of-use asset. If the right-of-use asset is an investment property, it is valued at fair value. Where the asset is property, plant or equipment, it is valued at the present value of the lease payment within tangible assets and separately identified as a right-of use tangible asset. Where the lease provides for variable elements, such as a rent review or rate increases linked to a specific index, the lease payments are initially measured at current rates. When the rate varies, this is a re-measuring event and the lease asset and liability is re-measured and treated as an adjustment to the right-of-use asset and lease liability.

The lease liability is initially measured at the present value of the lease payments payable over the lease term and discounted at the rate implicit in the lease if this can be readily determined. Where this cannot be readily determined, the Company's incremental borrowing rate is estimated and used to arrive at the present value of the lease payments. When a re-measurement event occurs, the lease liability is re-measured at this time.

The Group has elected not to apply IFRS 16 to leases with a lease term of less than 12 months or where the underlying asset has a low value when new. In such circumstances, the lease payments are expensed to the income statement as incurred and disclosed in the operating profit note.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition. The carrying value of these assets approximates their fair value.

Employee benefits

Share-based payments
The Group issues compensation to its employees under equity-settled share-based Long-Term Incentive Plans ("LTIP"). The fair value of equity-settled share-based payment arrangements granted to employees is recognised as an expense, with a corresponding increase in equity and spread over the vesting period of the plan on a straight-line basis. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date, and is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of non-market based vesting conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement with a corresponding adjustment to equity over the remaining vesting period.

Market vesting conditions are factored into the fair value of the options granted. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period. If all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided.

Equity

The share capital represents the nominal value of the issued share capital of Urban Exposure Plc.

Treasury Shares
Where the Company purchases its own share capital (Treasury Shares), the consideration paid is set off against share premium. Where the share premium is nil, consideration above the nominal value of shares is debited against retained earnings. The proceeds from the sale of own shares held increase equity. Neither the purchase, cancellation nor sale of own shares leads to a gain or loss being recognised in the income statement.

Dividend and capital distributions
Dividend and capital distributions to the shareholders are recognised in the Group's Financial Statements in the period in which they are declared and appropriately approved. Once approved, dividends are recognised as a liability and as a deduction from equity.

Notes to the Consolidated Financial Statements continued

Taxation
Tax expense comprises current and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

Deferred tax
Deferred tax is provided on the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

When there is uncertainty concerning the Group's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Group:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution.
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Earnings per share
Basic earnings per share is calculated by dividing profit after tax attributable to equity shareholders of the parent Company by the weighted average number of Ordinary Shares in issue during the period.

Diluted earnings per share requires that the weighted average number of Ordinary Shares in issue is adjusted to assume conversion of all dilutive potential Ordinary Shares. These arise from awards made under share-based incentive schemes. Share awards with performance conditions attached to them are not considered to be dilutive if the share price on their exercise is above market price.

Provisions and contingencies
Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position.

A contingent liability is a possible obligation that arises from past events or a present obligation that is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability. A contingent liability is disclosed but not recognised.

IPO expenses
Qualifying costs attributable to the primary issuance of shares are debited directly to equity. They include incremental costs that are directly attributable to issuing the primary shares, such as advisory and underwriting fees.

All other non-qualifying costs are taken to the statement of comprehensive income.

Tangible assets

Leasehold assets, furniture, fixtures, equipment and motor vehicles are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight-line basis over its expected useful life as follows:

Right-of-use assets are depreciated over their expected useful life based on the relevant lease term. Where a break clause is contained within the lease, an assessment is made as to whether this is likely to be exercised or not and the lease is depreciated based on the expected lease term.

The useful lives and depreciation rates applicable are as follows:

- Right-of-use leasehold 10 years
- Fixtures and fittings 10 years
- Furniture and office equipment 5 years
- Computer equipment 5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payments are due within one year, otherwise they are classified as non-current liabilities.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Segmental reporting

Under IFRS 8, operating segments are required to be determined based upon the Group's internal organisation and management structure and the primary way in which the Chief Operating Decision Maker (CODM) is provided with financial information. In the case of the Group, the CODM is considered to be the Executive Committee.

The Executive Committee reviews the activities of the Group as a single operating segment.

The Group operates only in the United Kingdom and, as a result, no geographical segments are reported. The Group does not rely on any individual customer and so no additional customer information is reported.

The Group's Executive Committee is of the opinion that the Group is engaged in a single segment of the business and the operations of the Group are wholly within the United Kingdom.

Events after the balance sheet date

Post year-end events that provide additional information about the Group's position at the balance sheet date and are adjusting events, are reflected in the Financial Statements. Post year-end events that are not adjusting events are disclosed in the notes, where material.

Notes to the Consolidated Financial Statements continued

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Group's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements and estimates
In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Consolidated Financial Statements:

(a) Determination of fair values

A number of assets and liabilities included in the Group's Financial Statements require measurement at, and/or disclosure of, fair value. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's-length transaction at the measurement date. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these Consolidated Financial Statements, is determined on such a basis, except for share-based payments that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 inputs are unobservable inputs for the asset or liability.

The classification of an item into the above levels is based on the lowest level of the inputs that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period in which they occur. Further details of fair values are given in note 4.

(b) Share-based payments

The Group operates two employee compensation schemes, settled in equity. The fair value of equity-settled share-based payment arrangements requires significant judgement in the determination of the valuation of options, or the assumptions regarding vesting conditions being met, which will affect the expense recognised during the period. These assumptions include the future volatility of the Company's share price, future dividend yield and the rate at which awards will lapse or be forfeited. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards. The fair value attributed to the awards and hence the charge made to the income statement could be materially affected should different assumptions be made to those applied by the Group. Details of these assumptions are set out in note 26. The Group uses a professional valuer in the determination of the fair value of options at grant date.

(c) Valuation adjustments

The Credit Committee reviews each financial asset in the Group's portfolio. Assets which are underperforming are assessed for credit valuation adjustments. Typical events include, but are not limited to, non-payment of cash interest as it falls due, breach of loan covenants, construction cost over-runs or significant reductions in gross development values.

(d) Current tax

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Group recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

The Group believes that its accruals for tax liabilities are adequate for all open audit years based on its assessment of many factors including past experience and interpretations of tax law.

No material uncertain tax positions exist as at 31 December 2019. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

(e) Deferred tax

In determining the quantum of deferred tax balances to be recognised, judgement is required in assessing the extent to which it is probable that future taxable profit will arise in the companies concerned and the timing of transactions.

4. Financial Instruments – Fair Values and Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Liquidity risk
- Market risk

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments.

This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these Financial Statements.

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise the effect on the Group's financial performance. Risk management is carried out by the Board of Directors. It identifies, evaluates and mitigates financial risks. The Board provides written policies for credit risk and liquidity risk. These risks are dealt with in detail in Principal Risks & Uncertainties on pages 16 to 21.

(i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Loan receivables
- Investments
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

Notes to the Consolidated Financial Statements continued

(ii) Financial instruments by category

At 31 December 2019	Note	Carrying amount		
		FVTPL	Amortised cost	Total
		£000	£000	£000
Financial assets				
Investments	16	6,570		6,570
Loan receivables	18	103,630		103,630
Contract assets	19	306		306
Trade and other receivables	19		1,292	1,292
Cash and cash equivalents	20		22,787	22,787
Total financial assets		**110,506**	**24,079**	**134,585**
Financial liabilities				
Trade and other payables	21		1,829	1,829
Total financial liabilities		**-**	**1,829**	**1,829**

At 31 December 2018	Note	Carrying amount		
		FVTPL	Amortised cost	Total
		£000	£000	£000
Financial assets				
Investments	16	1,949	-	1,949
Loan receivables	18	89,544	-	89,544
Contract assets	19	3,154	-	3,154
Trade and other receivables	19	-	454	454
Cash and cash equivalents	20	-	46,806	46,806
Total financial assets		**94,647**	**47,260**	**141,907**
Financial liabilities				
Trade and other payables	21	-	3,217	3,217
Total financial liabilities		**-**	**3,217**	**3,217**

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, and trade and other payables. The carrying value of the trade assets and other receivables has been amortised to estimated net recoverable value where there are circumstances indicating that the full value will not be recovered. Due to the short-term nature of cash and cash equivalents and trade and other payables, the Directors consider that their carrying value approximates to their fair value.

(iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below.

At 31 December	2019	2018
	Fair value	Fair value
	Level 3	Level 3
	£000	£000
Financial assets		
Investments	6,570	1,949
Loan receivables	103,630	89,544
Contract assets	306	3,154
Total financial assets	**110,506**	**94,647**

The valuation techniques and significant unobservable inputs used in determining the fair value measurement at Level 2 and Level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial instrument	**Valuation techniques used**	**Significant unobservable inputs (Level 3 only)**	**Inter-relationship between key unobservable inputs and fair value (Level 3 only)**	**As at 31 December 2019**	**As at 31 December 2018**
				£000	**£000**
Loan receivables	Initial transaction costs plus pro-rata share of fees plus accrued interest adjusted for changes in credit risks or market movements.	Profile and timing of loan drawdowns. Assumption that loan can be syndicated to third parties at the fair value.	The earlier the timing of the drawdowns and the higher the values of the drawdown the higher the fair value of the loan receivables	103,630	89,544
Equity investments	Initial transaction costs subsequently value at fair value based on projected future earnings discounted at an appropriate discount rate.	Profile and timing of loan drawdowns which determine profile and timing of investment and return on investment.	The earlier the timing of the drawdowns and the higher the values of the drawdown the higher the fair value of the investment.	6,570	1,949
Contract assets	Discounting the estimated future cash flows at a rate reflecting the risk associated with the cash flows.	Expected future cash receipts and risk adjusted discount rate.	The higher the cash flows the greater the valuation. A higher discount rate results in a lower valuation.	306	3,154
			Total financial assets	**110,506**	**94,647**

Notes to the Consolidated Financial Statements continued

The reconciliation of the opening and closing fair value balance of Level 3 financial instruments is provided below:

	Movement to 31 December 2019		
Reconciliation of fair value balances - Level 3	**Loan receivables £'000**	**Investments £'000**	**Contract assets £'000**
Balance at 1 January 2019	89,544	1,949	3,154
New loans advanced during year	59,033	4,777	-
Loan repayments/ contract asset receipts	(47,020)	-	
Loan Sold to Asset Management structures	(8,227)	-	-
Fair value reduction in contract assets	-	-	(2,095)
Fair value through income statement	10,300		134
Balance at 31 December 2019	**103,630**	**6,570**	**306**

	Movement to 31 December 2018		
Reconciliation of fair value balances - Level 3	**Loan receivables £'000**	**Investments £'000**	**Contract assets £'000**
Balance at 10 April 2018	-	-	-
New loans/investments advanced during Period	104,823	1,949	-
Contract assets acquired at fair value during Period	-	-	3,544
Loan Repayments / Contract asset receipts	(7,010)	-	(1,069)
Loan Sold to Asset Management structures	(11,488)	-	-
Fair value through income statement	3,219	-	679
Balance at 31 December 2018	**89,544**	**1,949**	**3,154**

Risk management framework

The Board has overall responsibility for the determination of the Group's risk management framework and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Chief Risk Officer ("CRO"). The Board receives regular updates from the CRO through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Executive Committee also reviews the risk management policies and processes and reports its findings to the Audit Committee.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness or flexibility.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

Further details regarding risk management policies are set out below:

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees. The Group has stringent underwriting criteria which include third party valuations and a full legal documentation pack for each loan written by the Group.

The maximum exposure to credit risk for financial assets by geographic region was as follows:

At 31 December 2019						
Analysis by Geographic Region	**Loan receivables**	**Investments**	**Contract assets**	**Trade and other receivables**	**Cash and cash equivalents**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Greater London	23,168	-	-	1,204	22,787	47,159
East of England	6,228	-	-	-	-	6,228
Midlands	1,214	-	-	-	-	1,214
South East	39,348	-	-	-	-	39,348
South West	13,579	-	225	-	-	13,804
North West	2,097	-	81	-	-	2,178
Wales	17,996	-	-	-	-	17,996
Outside of UK	-	6,570	-	88	-	6,658
	103,630	**6,570**	**306**	**1,292**	**22,787**	**134,585**

As at 31 December 2018						
Analysis by Geographic Region	**Loan receivables**	**Investments**	**Contract assets**	**Trade and other receivables**	**Cash and cash equivalents**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Greater London	1,222	-	2,180	454	46,806	50,662
East of England	39,121	-	-	-	-	39,121
Midlands	-	-	463	-	-	463
South East	21,826	-	237	-	-	22,063
South West	7,469	-	197	-	-	7,666
North West	1,419	-	77	-	-	1,496
Wales	18,487	-	-	-	-	18,487
Outside of UK	-	1,949	-	-	-	1,949
	89,544	**1,949**	**3,154**	**454**	**46,806**	**141,907**

Notes to the Consolidated Financial Statements continued

Four loan receivables represented £70,501,000 (2018: £72,330,000) of the loan receivable balance. However, risk is mitigated on all loans as property assets relating to those loans plus other securities and guarantees are provided against all loans.

The cash and cash equivalents balances of £22,787,000 (2018: £46,806,000) are held with a Regulated Bank given an A-1 rating by Standard & Poor's.

(b) Liquidity risk

Liquidity risk is the risk the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. In order to manage liquidity risk, the Group prepares short-term and medium-term cash flow forecasts. These forecasts are reviewed centrally to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.
The maturity analysis of the trade and other payables is given as below:

	At 31 December 2019			
	0-1 month	**1-3 months**	**3-6 months**	**Total**
	£000	**£000**	**£000**	**£000**
Trade and other payables	640	669	520	1,829
	640	**669**	**520**	**1,829**

	At 31 December 2018			
	0-1 month	**1-3 months**	**3-6 months**	**Total**
	£000	**£000**	**£000**	**£000**
Trade and other payables	873	367	1,977	3,217
	873	**367**	**1,977**	**3,217**

The Board receives cash flow projections on a monthly basis as well as information regarding cash balances. At the end of the year these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The Group does not commit to any loan to a borrower without clearly identifying how the loan will be funded over its life. The Group maintains a minimum level of liquidity to ensure that its projected operational costs are fully funded for 12 months.

(c) Market risk

Market risk is the risk that a change in the Group's bank funding rates will impact its return from lending. It is the risk that the fair value or future cash flows of loans will fluctuate because of changes in interest rates (interest rate risk).

The Group's financial assets and liabilities have interest rates applied as follows:

	At 31 December 2019			
	Fixed and Floating interest rate	Floating interest rate	Non-Interest bearing	Total
	£000	£000	£000	£000
Financial assets				
Investments	6,570			6,570
Loan receivables	103,630			103,630
Contract assets			306	306
Trade and other receivables			1,292	1,292
Cash and cash equivalents		22,787		22,787
Total financial assets	**110,200**	**22,787**	**1,598**	**134,585**
Financial liabilities				
Trade and other payables			1,829	1,829
Total financial liabilities	**-**	**-**	**1,829**	**1,829**

	At 31 December 2018			
	Fixed and Floating interest rate	Floating interest rate	Non-Interest bearing	Total
	£000	£000	£000	£000
Financial assets				
Investments	1,949			1,949
Loan receivables	89,544			89,544
Contract assets			3,154	3,154
Trade and other receivables			454	454
Cash and cash equivalents		46,806	-	46,806
Total financial assets	**91,493**	**46,806**	**3,608**	**141,907**
Financial liabilities				
Trade and other payables			3,217	3,217
Total financial liabilities	**-**	**-**	**3,217**	**3,217**

The investments and loan receivables are valued at fair value determined by a number of factors including contractual interest rates applicable to loan receivables which are generally at a fixed % rate above LIBOR, which is variable.

The Group manages interest rate risk by ensuring that all loans are subject to a floor interest rate and move with changes in bank funding costs or are appropriately hedged.

The Group are reviewing alternative interest rate benchmarks to LIBOR in preparation to transition to an alternative benchmark before the end of 2021. The impact of this change is uncertain at this stage but it is not expected to have a significant impact.

Notes to the Consolidated Financial Statements continued

The following table shows the sensitivity of fair values Grouped in Level 3 to changes in interest rates, for a selection of the largest financial assets. It is assumed that interest rates are changed by 1% whilst all other variables were held constant.

	At 31st December 2019		
	Value in Financial Statement £000	**+ 1% change in interest rate £000**	**- 1% change in interest rate £000**
Investments	6,570	6,847	6,299
Loan receivables	103,630	104,181	103,084
Contract assets	306	312	299
Balance at 31 December 2019	**110,506**	**111,340**	**109,682**

	At 31 December 2018		
	Value in Financial Statement £000	**+ 1% change in interest rate £'000**	**- 1% change in interest rate £'000**
Investments	1,949	1,949	1,949
Loan receivables	89,544	89,709	89,379
Contract assets	3,154	3,178	3,130
Balance at 31 December 2018	**94,647**	**94,836**	**94,458**

The fair values are subject to interest rate risk where there is a change in the market, including a change in LIBOR and the underlying bank base rate, or a change in the credit rating of the borrower.

(d) Capital management

The Group monitors capital which comprises all components of equity (i.e. share capital, share premium, treasury capital and retained earnings). The Group's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Group's objective is also to provide an adequate return to shareholders by maintaining an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of debt to capital. During the year, the Group did not have any loans and borrowings, therefore the debt to capital ratio is 0%. The capital at the year-end is £145,623,000 (2018: £150,521,000).

5. Income

The Group income was derived as follows:

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Fair value income from loan receivables	10,242	3,219
Income from contract assets	134	679
Fair value decrease	(152)	-
Management Fees	790	5
Other income	58	-
Total Fees Income	**11,072**	**3,903**

6. Operating Profit / (Loss) for the Year / Period

The Group operating profit / (loss) is stated after charging:

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Amortisation of intangible assets	186	122
Depreciation of right-of-use leasehold	386	-
Depreciation of tangible assets	56	-
Fair value reduction in contract assets	2,095	-
Exceptional items (note 9)	474	869
Auditors remuneration comprises:		
Fees payable to the auditor for the Group audit	75	112
Fees payable to the auditor for the audit of the subsidiaries	55	17
	130	129
Fees payable to the auditor and its related entities for other services:		
Audit related assurance services	34	61
Tax compliance services	24	24
Tax advisory services	13	118
Other services	-	14
Fees for Corporate Services related to transactions	88	210
Fees included within administrative expenses	**289**	556
Fees for corporate finance services related to the IPO charged to the share premium	-	120
Total Fees payable to auditor	**289**	**676**

Amounts payable to BDO (inclusive of VAT) in respect of audit and non-audit services are disclosed in the table above.

Although the right-of-use leasehold asset was acquired 20 November 2018, it was not in a condition available for use until January 2019 hence amortisation and depreciation of fixed assets related to the leasehold asset is charged from 2019 onwards.

Notes to the Consolidated Financial Statements continued

7. Operating Costs

The Group's operating costs are stated after charging:

	For the year ended 31 December 2019		
	Before Exceptional items	**Exceptional items**	**Total**
	£000	**£000**	**£000**
Staff costs	4,693	-	4,693
Share based payments	252	-	252
Rent, rates and office costs	476	-	476
Marketing	544	-	544
Audit & Accountancy	153	-	153
Legal & Professional Fees	739	474	1,213
IPO costs	-	-	-
Amortisation & Depreciation	628	-	628
Fair value reduction in contract assets	2,095	-	2,095
Other overheads	757	-	757
	10,337	**474**	**10,811**

	For the period ended 31 December 2018		
	Before Exceptional items	**Exceptional items**	**Total**
	£000	**£000**	**£000**
Staff costs	3,122	-	3,122
Share based payments	480	-	480
Rent, rates and office costs	115	-	115
Marketing	113	-	113
Audit & Accountancy	128	-	128
Legal & Professional Fees	332	256	588
IPO costs	-	613	613
Amortisation & Depreciation	122	-	122
Other overheads	599	-	599
	5,011	**869**	**5,880**

Exceptional items are detailed in note 9.

8. Employee and Key Management Emoluments

The employee and Directors costs were as follows:

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Salaries	4,208	2,740
Social security costs	457	374
Contributions to defined contribution pension schemes	28	8
	4,693	**3,122**
Share based payment (note 26)	252	480
	4,945	**3,602**

The average monthly number of employees (including Directors) during the year/Period was as follows:

	Number	Number
Management	7	6
Administrative	11	6
Sales & Risk assessment	12	9
	30	**21**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on pages 25.

	For the year ended 31 December 2019	For the period ended 31 December 2018
Key management Emoluments	£000	£000
Salary	1,865	1,399
Other benefits	20	22
Social security costs	260	201
Pension costs to defined contributions schemes	9	4
Emoluments before share-based payment charges	**2,154**	**1,626**
Share based payment charges	-	270
	2,154	**1,896**

A detailed disclosure of directors' remuneration is set out in the Remuneration Committee Report on page 32.

Notes to the Consolidated Financial Statements continued

9. Exceptional Items

The following costs were identified as exceptional:

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Bond issue costs	289	-
Settlement of dispute	400	-
Exceptional legal and professional costs related to investments and syndication of loans	(215)	256
IPO costs	-	613
Exceptional items before taxation	**474**	**869**
Taxation impact of exceptional items	(131)	-
Exceptional items after taxation	**343**	**869**

During the year, the group incurred one-off exceptional legal and professional costs of £289,000 relating to the proposed issue of 6.5% secured sterling bonds due 2026. A decision was subsequently made not to proceed with the Proposed Issue due to adverse market conditions during the offer period.

During the year, the Group reached a legal settlement with Jones Lang LaSalle Corporate Finance Limited ('JLL') in respect of a historic introduction arrangement of £400,000 as a full and final settlement. Exceptional legal and professional costs of £215,000 incurred in setting up the syndication agreement with KKR in 2018 were repaid by KKR during the year. In 2018, exceptional set-up costs of £256,000 were incurred in defining the arrangement between the parties.

In 2018, costs of £613,000 related to the IPO and were expensed as a one-off non-recurring cost.

10. Finance Costs

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Interest expense for right-of-use leased assets	94	12
	94	**12**

11. Taxation

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Current tax	-	-
Deferred tax	23	(273)
Taxation charge/(credit) for the year/Period	**23**	**(273)**

The standard current rate of tax for the year ended 31 December 2019 is 19% (2018: 19%).

Deferred tax has been accounted for at the substantively enacted Corporation Tax rate of 19%. (2018:19%).

The tax for the year/ Period is computed as follows:

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Profit / (loss) before taxation	**167**	**(1,989)**
	£000	£000
Based on profit / (loss) at tax rate of 19%	32	(378)
Expenses not deductible for tax purposes	3	105
Adjustments for (over) provision in prior years	(12)	-
Taxation charge / (credit) for the year / Period	**23**	**(273)**

12. Earnings Per Share (EPS)

Basic earnings/loss per share (EPS) has been calculated based on the profit / (loss) for the year / Period as shown in the Consolidated Statement of Comprehensive Income divided by the weighted average number of Ordinary Shares in issue.

Diluted EPS has been calculated based on the profit/(loss) for the year / Period as shown in the Consolidated Statement of Comprehensive Income divided by the weighted average number of Ordinary Shares. For 2019, 2,783,334 share options were in issue of which 1,275,614 are dilutive. As minimum value conditions had not been met for the 1,500,000 management share options, they have been excluded as they would not have a dilutive effect. The dilutive effect is shown in the table below.

For 2018, although 3,150,000 share options were in issue, as these would have had an anti-dilutive effect were not included in the calculation of 'Weighted average number of shares for diluted earnings per share'.

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Profit / (loss) for the year / Period	**144**	**(1,716)**
Profit / (loss) for the year / Period excluding exceptional items	**528**	**(847)**
	Number of shares	**Number of shares**
Weighted average number of shares for basic EPS	158,494,130	145,793,865
Dilutive effect of share options	1,275,614	-
Weighted average number of shares for diluted EPS	**159,769,774**	**145,793,865**

	For the year ended 31 December 2019	For the period ended 31 December 2018
Basic profit / (loss) per share	**0.09p**	**(1.18p)**
Diluted profit / (loss) per share	**0.09p**	**(1.18p)**
Adjusted basic profit / (loss) per share	0.33p	(0.58p)
Adjusted diluted profit / (loss) per share	0.33p	(0.58p)

Notes to the Consolidated Financial Statements continued

13. Dividends

	For the year ended 31 December 2019	For the period ended 31 December 2018
	£000	£000
Final dividend of 1.67 pence (2018: nil) per Ordinary share proposed and paid during the year relating to the previous Period's result	2,647	-
Interim dividend of 1.67 pence (2018: 0.83 pence) per Ordinary share paid during the year / Period	2,647	1,316

The Board do not propose payment of a final dividend for the year (2018: 1.67 pence per share proposed).

14. Intangible Assets

	For the year to 31 December 2019		
	Goodwill	Brand	Total
	£000	£000	£000
Cost			
At 1 January 2019	10,922	1,874	12,796
Acquired during the year	-	-	-
Cost at 31 December 2019	10,922	1,874	12,796
Amortisation			
At 1 January 2019	-	122	122
Charge for the year	-	186	186
Amortisation at 31 December 2019	-	308	308
Net Book value at 31 December 2019	**10,922**	**1,566**	**12,488**

	For the period to 31 December 2018		
	Goodwill	Brand	Total
	£000	£000	£000
Cost			
At 10 April 2018	-	-	-
Acquired during the Period	10,922	1,874	12,796
Cost at 31 December 2018	10,922	1,874	12,796
Amortisation			
At 10 April 2018	-	-	-
Charge for the Period	-	122	122
Amortisation at 31 December 2018	-	122	122
Net Book value at 31 December 2018	**10,922**	**1,752**	**12,674**

There were no new acquisitions in the year.

Brands are amortised on a straight-line basis over their useful economic lives, currently estimated at 10 years.

The Group acquired the goodwill and the brands on acquisition of the business of Urban Exposure Investment Management LLP on 9 May 2018, as detailed in note 27.

Goodwill

The Group tests annually for impairment, or more frequently if there are indications that goodwill may be impaired.

The carrying amount of goodwill is allocated to cash generating units. The directors consider that the goodwill is allocated to the overall business of Urban Exposure Plc as one cash generating unit (CGU). The recoverable amount is determined based on the value in use calculation. The use of this method requires the estimation of future cash flows and the determination of a discount rate to calculate the present value of the cash flow. A discount rate of 11.0% was used.

The basis on which the unit's recoverable amount has been determined is the value in use of the asset over a five year period, discounted at 11.0%, the estimated weighted average cost of capital to the business over the next 5 years and assumes growth of the loans, primarily through asset management.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable of the CGU to which goodwill is allocated. The directors believe that any reasonable change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

A 20% underperformance against forecast income would reduce the headroom but would show an aggregate value in excess of the carrying value of goodwill and hence would not result in an impairment charge. An increase in the discount applied to the cash flows of 9% would reduce the headroom but would show an aggregate value in excess of the carrying value of goodwill and hence would not result in an impairment charge.

15. Tangible Assets

	For the year ended 31 December 2019			
	Right-of-use short leasehold £000	**Furniture, fixtures & fittings £000**	**Computer Equipment £000**	**Total £000**
Cost				
At 1 January 2019	3,839	418	19	4,276
Additions during the year	22	74	23	119
Remeasure of leasehold assets	(251)	-	-	(251)
Cost at 31 December 2019	3,610	492	42	4,144
Depreciation				
At 1 January 2019	-	-	-	-
Charge for the year	386	49	7	442
Depreciation at 31 December 2019	386	49	7	442
Net Book value at 31 December 2019	**3,224**	**443**	**35**	**3,702**

Notes to the Consolidated Financial Statements continued

	For the period ended 31 December 2018			
	Right-of-use short leasehold £000	**Furniture, fixtures & fittings £000**	**Computer Equipment £000**	**Total £000**
Cost				
At 10 April 2018	-	-	-	-
Acquired during the Period	3,839	418	19	4,276
Cost at 31 December 2018	3,839	418	19	4,276
Depreciation				
At 10 April 2018	-	-	-	-
Charge for the Period	-	-	-	-
Depreciation at 31 December 2018	-	-	-	-
Net Book value at 31 December 2018	**3,839**	**418**	**19**	**4,276**
At 10 April 2018	**-**	**-**	**-**	**-**

A right-of-use short leasehold was acquired 20 November 2018 and has been recognised as an asset in accordance with IFRS 16. The leasehold was not in a condition available for occupation and was not occupied until January 2019. The furniture, fixtures and fittings and computer equipment were acquired for the new office. The date of first use of all the assets is January 2019, hence there was no depreciation charge for 2018.

16. Investments

	Trade Investments under IFRS 9 £000
Valuation	
At 1 January 2019	1,949
Acquired during the year	4,777
Fair value adjustment during year	(156)
Valuation at 31 December 2019	**6,570**

Valuation	**£000**
On incorporation at 10 April 2018	-
Investment during the Period	1,949
Fair value adjustment during the Period	-
Valuation at 31 December 2018	**1,949**

The Group invested £6,726,000 (2018: £1,949,000) and have reduced this to £6,570,000 (2018: £1,949,000) as this represents the valuation of the equity investment on a discounted cash flow basis.

The Group entered into a partnership agreement with KKR in which the Group has a 9.1% interest. The purpose of the agreement is to make loans to real estate developers in the United Kingdom for the development of residential and mixed-use properties. Under this agreement, KKR will invest up to £150m and Urban Exposure Plc will invest up to £15m in assets under management, with each party contributing as directed under the partnership agreement as and when required.

The investments are classified as a trade investment under IFRS 9. Accordingly, they are financial assets measured at FVTPL. See note 4 for further disclosures.

17. Subsidiaries

The principal subsidiaries of Urban Exposure Plc, all of which have been included in these Consolidated Financial Statements, are:

Name of company	Country of Incorporation and Principal place of business	Proportion of ownership interest at 31 December 2019	Principal Activity
Urban Exposure Holdings Limited	United Kingdom	100%	Holding company
Urban Exposure Finance Plc	United Kingdom	100% *	Dormant
Urban Exposure Lendco Limited	United Kingdom	100% *	Development finance
UE SFA 1 Limited	United Kingdom	100% *	Asset management
Urban Exposure Amco Limited	United Kingdom	100% *	Support services
LW UE (Davies Street) Limited	United Kingdom	100% *	Support services
UEIM Limited	United Kingdom	100% *	Dormant

** Indirectly held by a subsidiary company*

All the subsidiaries are registered at 6 Duke Street St. James's, London SW1Y 6BN.

During the year, UEIM Limited was incorporated on 17 January 2019 and Urban Exposure Finance plc was incorporated on 3 July 2019.

In 2018, Urban Exposure Holdings Limited, Urban Exposure Lendco Limited and Urban Exposure Amco Limited were acquired by Urban Exposure Plc on 9 May 2018. Further details are given in note 27.

LW UE (Davies Street) Limited was incorporated 5 October 2018.

18. Loan Receivables

	At 31 December 2019 £000	At 31 December 2018 £000
Loan receivables	**103,630**	**89,544**

See note 4 for further disclosures relating to financial assets.

Notes to the Consolidated Financial Statements continued

19. Trade and Other Receivables

	At 31 December 2019 £000	At 31 December 2018 £000
Trade receivables	88	-
Contract assets	306	3,154
Other receivables	1,204	454
Total financial assets	**1,598**	**3,608**
Prepayments	147	85
Total trade and other receivables	**1,745**	**3,693**
Less: Non-current portion of trade receivables	-	(254)
Less: Non-current portion of other receivables	(421)	(422)
Current portion	**1,324**	**3,017**

The carrying value of trade and other receivables classified at amortised cost approximates to fair value.

Contract assets relate to receivables acquired on the business combination are secured by a charge on the assets being developed and are repayable based on the expected sales of those assets. The contract assets were reduced by a fair value decrease of £2,095,000 in the year (2018:£nil).

Included within trade receivables is a contract asset of £nil (2018: £254,000) which is expected to be repaid after more than one year.

Included within other receivables is a deposit of £422,000 (2018: £422,000) for the right-of-use lease asset which is repayable within five years subject to meeting certain criteria.

20. Cash and Cash Equivalents

	At 31 December 2019 £000	At 31 December 2018 £000
Cash and cash equivalents - unrestricted	**22,787**	**46,806**

All the cash and cash equivalents are held in Sterling.

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair values.

21. Trade and Other Payables

	At 31 December 2019 £000	At 31 December 2018 £000
Trade payables	739	1,096
Other creditors	589	117
Accruals	501	2,004
	1,829	**3,217**

The carrying value of trade and other payables is measured at cost which approximates to fair value.

Note 4 gives further disclosures and a maturity analysis of the financial liabilities.

All trade and other payables are payable within one year.

22. Lease Liabilities

The lease liabilities, as measured at present value, mature as follows:

	At 31 December 2019		
	Total	**Within 1 year**	**After more than 1 year**
	£000	**£000**	**£000**
Payable within 1 year	295	295	-
Payable between 1-2 years	413	-	413
Payable between 2-5 years	892	-	892
Payable after more than 5 years	1,763	-	1,763
	3,363	**295**	**3,068**

	At 31 December 2018		
	Total	**Within 1 year**	**After more than 1 year**
	£000	**£000**	**£000**
Payable within 1 year	229	229	-
Payable between 1-2 years	325	-	325
Payable between 2-5 years	1,220	-	1220
Payable after more than 5 years	2,031	-	2031
	3,805	**229**	**3,576**

The lease liabilities are in respect of the right-of-use leasehold premises acquired in the prior Period for the head office premises.

The leasehold agreement is for 10 years with a five-year tenant-only break clause. At the year end, the Group anticipated that this would not be exercised and has measured the right-of-use leasehold asset and lease liabilities on this basis.

The lease agreement includes a variable annual service cost which has a maximum value linked to the RPI. The lease is subject to a rent review after five years. Both variations will be measured as and when they occur.

An analysis in the movement of lease liabilities is given below:

	At 31 December 2019	**At 31 December 2018**
	£000	**£000**
Balance brought forward	3,806	-
Addition	22	3,794
Interest expense	94	12
Remeasure of variable lease charges	(252)	-
Lease payments	(307)	-
	3,363	**3,806**

Notes to the Consolidated Financial Statements continued

23. Deferred Tax

The net deferred tax movement is as follows:

	At 31 December 2019				
	Brand	**Accelerated capital allowances**	**Other temporary timing differences**	**Losses carried forward**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2019	(333)	(37)	98	189	(83)
Credit/(charge) to income statement in year	36	(8)	40	(92)	(24)
Deferred tax liability at 31 December 2019	**(297)**	**(45)**	**138**	**97**	**(107)**

	At 31 December 2018				
	Brand	**Accelerated capital allowances**	**Other temporary timing differences**	**Losses carried forward**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**
Balance at 10 April 2018	-	-	-	-	-
Deferred tax on intangible asset acquired (note 27)	(356)	-	-	-	(356)
Credit/(charge) to income statement in Period	23	(37)	98	189	273
Deferred tax liability at 31 December 2018	**(333)**	**(37)**	**98**	**189**	**(83)**

Deferred tax has been accounted for at the substantively enacted Corporation Tax rate of 19%.

24. Share Capital

Share capital has been issued as follows:

	Number	Value per share £	Ordinary Shares £000	Deferred Shares £000	Total £000
Issued at 10 April 18 on incorporation	1	1.00	-		-
Issued at 16 April 2018	49,999	1.00	50		50
Shares as at 30th April 2018	50,000		50	-	50
Sub-division of 50,000 £1 shares converted to 5,000,000 1p shares at 30 April 2018	5,000,000	0.01	50		50
Shares re-organised into Ordinary and Deferred shares at 30 April 2018		0.01	(50)	50	-
Issued in share exchange 9 May 2018	14,950,000	0.01	150		150
Issued at IPO 9 May 2018	150,000,000	0.01	1,500		1,500
Balance at 31 December 2018	**169,950,000**		**1,650**	**50**	**1,700**
Movement to 31 December 2019	-		-	-	-
Balance at 31 December 2019	**169,950,000**		**1,650**	**50**	**1,700**

The movement in the number of shares issued is shown as below:

	Ordinary Shares No. Number	Deferred Shares Number	Treasury Shares Number	Total Number
Issued 10 April 18 on incorporation	1			1
Issued at 16 April 2018	49,999			49,999
Shares as at 30 April 2018	50,000	-	-	50,000
Subdivision 50,000 £1 shares converted to 5,000,000 1p shares at 30 April 2018	5,000,000			5,000,000
Shares re-organised into Ordinary and Deferred Shares 30 April 2018	(4,950,000)	4,950,000		-
Issued in share exchange 9 May 2018	14,950,000			14,950,000
Issued at IPO 9 May 2018	150,000,000			150,000,000
Shares re-purchased as Treasury shares 14 November 2018	(6,505,870)	-	6,505,870	-
Balance at 31 December 2018	**158,494,130**	**4,950,000**	**6,505,870**	**169,950,000**
Movement to 31 December 2019	-	-	-	-
Balance at 31 December 2019	**158,494,130**	**4,950,000**	**6,505,870**	**169,950,000**

There was no movement in share capital during the year.

The following movements in share capital occurred during the prior Period:

On incorporation on 10 April 2018, the Company issued 1 Ordinary Shares of £1 each at par value. On 16 April 2018, the Company issued another 49,999 shares of £1 each.

On 30 April 2018, the entire share capital of 50,000 Ordinary Shares was subdivided into 5,000,000 Ordinary Shares of £0.01 each and re-organised into 50,000 Ordinary Shares of £0.01 each and 4,950,000 of Deferred Shares of £0.01 each.

On 9 May 2018, the Company entered a legacy receivables share exchange agreement with Urban Exposure Holding Company (Jersey) Limited and as a result 7,151,300 Ordinary Shares of £0.01 each were issued for a consideration of £7,151,300.

On 9 May 2018, the Company entered into a share exchange agreement with the members of Urban Exposure Investment Management LLP and issued 7,798,700 shares of £0.01 each for a consideration of £7,848,700.

Notes to the Consolidated Financial Statements continued

On 9 May 2018, the Company listed on AIM and issued 150,000,000 of £0.01 each at an issue price of £1.

On 14 November 2018, the Company re-purchased 6,505,870 £0.01 Ordinary Shares for a consideration of £0.80 per share through a share buyback. All the shares re-purchased are held as Treasury Shares.

The Ordinary Shares have full voting, dividend and capital distribution rights (including on a winding up). The Ordinary Shares do not confer any rights of redemption.

The Deferred Shares have no rights to dividends and no right to partake in a capital distribution (including on a winding up) before all other shareholders, neither do they confer any right to attend or vote at a general meeting of the Company.

25. Share Premium

	Share premium £000
Balance at 10 April 2018	**-**
Share premium arising on Ordinary Shares issued	163,300
Share issue costs	(6,722)
Transfer to retained earnings	(156,578)
Balance at 31 December 2018	**-**
Movement to 31 December 2019	-
Balance at 31 December 2019	**-**

There was no movement in share premium during the year.

The following movements in share premium occurred during the prior Period:

At 31 May 2018, a resolution was passed authorising, conditional on admission, the amount standing to the credit of the share premium account of the Company (less any issue expenses set off against the share premium account) to be cancelled and the amount of the share premium account so cancelled to be credited to retained earnings.

An application was made to the High Court to cancel the share premium account and judgement was obtained by Order of the High Court of Justice, Chancery Division, to approve the application and the share premium of £156,578,000 was cancelled and credited to retained earnings.

The SH19 form was submitted to Companies House with a copy of the Court Order on 24 July 2018.

26. Share-Based Payments

The Group established equity-settled employee share schemes under which shares or share options are granted to employees or Directors subject to the terms of the schemes:

There are two share option schemes in operation, both were set up during the prior Period.

The Long-Term Incentive Plan ('LTIP')
The LTIP enables the participants to acquire 'A' Ordinary Shares in Urban Exposure Holdings Limited ("A Ordinary Shares") as awards. On or after vesting, the participants may require the Company to acquire the A Ordinary Shares in exchange for the issue of Ordinary Shares in the Company. The acquisition price for the A Ordinary Shares shall be the nominal value of the shares.

The LTIP also grants share options to the participants with a nominal value exercise price. On exercise, the participants will be issued Ordinary Shares in the Company. The A Ordinary Shares and the share options will combine to deliver a maximum number of Ordinary Shares in the Company.

The options vest based on achievement of three separate measures for each of the periods ended 31 December 2018, 31 December 2019 and 31 December 2020, with a maximum of 550,000 shares available to vest in each period and a maximum number of 1,650,000 in total.

Measures:
1. Total shareholder return
2. Annualised return on equity
3. Annualised principal amount of committed loans made or arranged by the Company

Up to one ninth of the total LTIP share options will vest for achieving and exceeding each measure on an annual basis. Therefore 183,333 options are available for achieving each measure at each of the three period ends from 31 December 2018 to 31 December 2020.

The awards granted are subject to rigorous, stretching performance conditions as set by the Remuneration Committee on an annual basis.

Management Share Options ('MSO')
The MSO enables the participants to acquire 'A' Ordinary Shares in Urban Exposure Holdings Limited ("A Ordinary Shares") as awards. On or after vesting, the participants may require the Company to acquire the A Ordinary Shares in exchange for the issue of Ordinary Shares in the Company. The acquisition price for the A Ordinary Shares shall be the nominal value of the shares.

The MSO also granted share options to senior management at the date of the IPO with an exercise price of 100p. On vesting, the participants will be issued Ordinary Shares in the Company.

Under the scheme, 1,500,000 share options were granted with an exercise price of 100p. The only vesting condition is that the holders remain within the employment of the Group. The options will vest on 9 May 2021.

The share-based payments included in operating costs comprises:

	For the year to 31 December 2019	For the period to 31 December 2018
	£000	£000
Total share-based payment	252	480

Notes to the Consolidated Financial Statements continued

The following table illustrates the number and movement in share options during the year.

		For the year ended 31 December 2019			
Description of Share Options	**Number of options**	**Weighted average Exercised price (pence)**	**Grant date/ (Lapsed date)**	**Vesting date**	**Weighted average remaining contractual life (years)**
LTIP share option issued	183,334	1	09/05/2018	31/12/2018	9 years
LTIP share option issued	550,000	1	09/05/2018	31/12/2019	9 years
LTIP share option issued	550,000	1	09/05/2018	31/12/2020	9 years
MSO issued	1,500,000	100	09/05/2018	09/05/2021	9 years
Brought forward at 1 January 2019	**2,783,334**				
Forfeited in year	(19,736)				
Lapsed in year	(550,000)				
	2,213,598				
Analysed as:					
Share options exercisable	163,598				
Share options not exercisable	2,050,000				
	2,213,598				

The following table illustrates the number and movement in share options during the prior Period.

		For the period ended 31 December 2018			
Description of Share Options	**Number of options**	**Weighted average Exercised price (pence)**	**Grant date/ (Lapsed date)**	**Vesting date**	**Weighted average remaining contractual life (years)**
As at 10 April 2018	-				
Issued in Period					
LTIP share option issued	550,000	1	09/05/2018	31/12/2018	10 years
LTIP share option issued	550,000	1	09/05/2018	31/12/2019	10 years
LTIP share option issued	550,000	1	09/05/2018	31/12/2020	10 years
MSO issued	1,500,000	100	09/05/2018	09/05/2021	10 years
LTIP share options lapsed in period	(366,666)		31/12/2018		
	2,783,334				
Analysed as:					
Share options exercisable	183,333				
Share options not exercisable	2,600,001				
	2,783,334				

The fair value of the share-based payments for the LTIP and the MSO at the date of their issue was calculated based on the Black Scholes Pricing model with the following assumptions:

	LTIP	MSO
Share price at issue date(p)	100	100
Exercise price (p)	1	100
Risk-free rate of return	1.03%	1.03%
Volatility	24.23%	24.23%
Expected life of option (years)	5	5
Value per option (p)	76.93	11.10

27. Business Combinations

There were no business combinations in the year.

In the prior year, on 9 May 2018, Urban Exposure Amco Limited, a 100% subsidiary of Urban Exposure Plc, acquired the business of Urban Exposure Investment Management LLP in exchange for 15,000,000 Ordinary Shares of £1 each.

As stated last year, the primary reason for the acquisition was to acquire the original Urban Exposure business as a going concern including the goodwill, business information, IT system, the business name, business intellectual property rights, records and all other property, rights and assets used or intended to be used in connection with the business and it is these assets which represent the goodwill. The Group also acquired the rights to revenues in respect of contract assets which are included in trade and other receivables.

All assets and liabilities were valued at fair value at the date of acquisition. The book value of the contract assets acquired were £7,072,000 and these were adjusted to fair value of £3,798,000 at the date of acquisition. During the measurement period following acquisition, a review of the tax basis for the contract assets acquired resulted in a further adjustment of £254,000.

Details of the (restated) fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	For the period to 31 December 2018		
	Original Fair Value £000	**Measurement adjustment £000**	**Restated Fair Value £000**
Fair value of consideration 15,000,000 shares of £1 each	15,000	-	15,000
The following assets and liabilities were acquired:	**£000**	**£000**	**£000**
Net assets acquired at fair value:			
Intangible assets: brands	1,874	-	1,874
Trade and other receivables: contract assets	3,798	(254)	3,544
Trade and other payables	(984)	-	(984)
Deferred taxation	(356)	-	(356)
	4,332	(254)	4,078
Goodwill acquired	**10,668**	**254**	**10,922**

Notes to the Consolidated Financial Statements continued

28. Capital and Financial Commitments

As at 31 December 2019 (31 December 2018 £nil), there were no capital commitments for the Group. The Group had £421 million (2018:£325 million) of undrawn committed loan capital payable at the 31 December 2019 payable over the next four years. Since the year end, this reduced by £42 million where the Group syndicated loans or entered into a co-lender agreement.

The Group has entered into a partnership agreement with KKR with a commitment of up to £15million (2018:£15million) and has made payments of £6,726,000 (2018:£1,949,000) under this agreement. This leaves an outstanding financial commitment relating to the agreement of £8,274,000 (2018: £13,051,000).

Please see note 16 for further details.

29. Related Party Transactions

During the year / Period the Group entered into the following transactions with related parties which are not members of the Group.

	For the year to 31 December 2019			At 31 December 2019	
	Purchases - Charges for payroll costs	Purchases - Charges for other costs	Total Purchases	Amounts due from related parties	Amounts due to related parties
	£000	£000	£000	£000	£000
UE Finco Limited	-	27	27	-	8
Urban Exposure Limited	-	343	343	-	37
Urban Exposure Investment Management LLP	-	-	-	-	-
Urban Exposure Philanthropy Limited	-	-	-	707	-
	-	**370**	**370**	**707**	**45**

	For the Period to 31 December 2018			At 31 December 2018	
	Purchases - Charges for payroll costs	Purchases - Charges for other costs	Total Purchases	Amounts due from related parties	Amounts due to related parties
	£000	£000	£000	£000	£000
UE Finco Limited	-	10	10	-	6
Urban Exposure Limited	93	235	328	-	85
Urban Exposure Investment Management LLP	63	-	63	-	63
Urban Exposure Philanthropy Limited	-	-	-	-	-
	156	**245**	**401**	**-**	**154**

Other operating costs (2018: Payroll and other operating costs) were paid on behalf of Urban Exposure Group and re-charged at cost by the above related companies.

29. Related Party Transactions (continued)

Details of the Directors' emoluments and of Directors' interests are contained in the Remuneration Committee Report on pages 30 to 36.

There were loan balances outstanding from the Directors at the year-end of £nil (2018:£6,000).

Dividends of £302,000 were paid to the Directors and key managers of Urban Exposure Plc in the year for the 2018 final dividend approved and paid in 2019 and the interim dividend for 2019. No final dividend is proposed for 2019 (2018 £73,000 interim dividend for 2018 payable to the Directors and key managers of Urban Exposure Plc).

During the year loans were advanced of £907,000 to Urban Exposure Philanthropy Limited ("UEP"), a related party. £200,000 was subsequently repaid during the year leaving a balance of £707,000 at 31 December 2019 (2018: £nil). The UEP Loan was advanced by the Group on the basis that it would be repaid from UEP's fund raising activities and from contributions from the Group's staff. Mr. and Mrs. Sandhu have agreed with the Company that they will procure that the UEP Loan is repaid in full to the Company before 31 December 2020 (the "UEP Loan Repayment Agreement"). This commitment is being secured by Mr. and Mrs. Sandhu by the deposit into an escrow arrangement of 2.8 million ordinary shares of the Company beneficially owned by Mr. and Mrs. Sandhu with the Company being able to require the sale of the shares from escrow and the proceeds (up to the amount then owing under the UEP Loan) being used to repay the Company. Mr. and Mrs. Sandhu may make payment, or part payment, of the UEP Loan in advance of 31 December 2020, in which case a corresponding portion of the shares in escrow will be released to Mr and Mrs Sandhu. Entry into the UEP Loan Repayment Agreement is a related party transaction for the purposes of Rule 13 of the AIM Rules for Companies.

Further, because UEP is a connected person of each of Mr. and Mrs. Sandhu for the purposes of the Companies Act 2006, the arrangements were required to be approved by PLC's shareholders as a loan to a connected party of a director pursuant to section 200 of the Companies Act 2006. This shareholder approval was not obtained. Accordingly, under section 213(2) of the Companies Act 2006, the loan is voidable by Amco unless either (a) restitution of the loan is no longer possible or (b) Amco is indemnified for any loss or damage resulting from the loan. In addition, under sections 213(3) and (4) of the Companies Act, each of (a) UEP, (b) Mr. and Mrs. Sandhu and (c) any other director of Lendco and Amco who authorised the Loan are jointly and severally liable to indemnify Amco for any loss or damage resulting from the Loan, unless, in the case of (c) that director can show at the time the relevant transaction was entered into, he did not know the relevant circumstances constituting the contravention of the Companies Act 2006.

As announced by the Group on 5 May 2020, the board of directors have asked an independent third party to conduct an inquiry into the circumstances concerning the making of the loan. An independent law firm has been instructed to undertake the inquiry and it is expected that the inquiry will be completed in July 2020. As announced by the Group on 19 June 2020, Mr and Mrs Sandhu have agreed to procure that the UEP Loan is repaid in full to the Group before 31 December 2020 (the "UEP Loan Repayment Agreement") as detailed above.

During the year, the Group settled a claim of £400,000 by JLL relating to an agreement with a Legacy UE company for introduction of potential funding partners in return for introduction fees. Although the Group was not a party to the JLL Agreement, the Board agreed that the benefit to the Group of concluding the claim justified payment by the Group of the settlement amount in the context of the introduction of KKR as a funding party. The Legacy UE Companies are entities ultimately controlled by two of the executive directors (and their families), Randeesh Sandhu and Rabinder Takhar.

There were no investments acquired or disposed to related parties in the year.

In the Period ended 31 December 2018, the following investments were acquired from related parties:
On the 2 May 2018, Urban Exposure Plc acquired £100 Ordinary Shares in Urban Exposure Holdings Limited from Mr. R. Sandhu, a company director, for a consideration of £100.

On the 9 May 2018, Urban Exposure Amco Limited issued 7,848,700 £1 shares to acquire the business assets of Urban Exposure Investment Management LLP in a share exchange with the members.

On the 9 May 2018, Urban Exposure Plc acquired contract assets of £7,151,300 from Urban Exposure Holding Company (Jersey) Limited in exchange for 7,151,300 shares issued at a value of £1 each.

Notes to the Consolidated Financial Statements continued

30. Post Balance Sheet Events

Transaction with Honeycomb Holdings Limited
On 10 March 2020, the Group proposed the disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Company's partnership with KKR & Co. This disposal was subject to shareholder approval which was obtained at a general meeting of the Group on 30 March 2020.

As previously announced, the Company received a purported notice of termination from HHL of the SPA. The Company and Amco consider that there was no valid basis for the purported termination of the SPA by HHL and that HHL has acted in repudiatory breach of the SPA. The Company and Amco have accepted this repudiatory breach of contract by HHL and accordingly the Company and Amco consider themselves discharged from further performance of the SPA. The Company and Amco are claiming damages against HHL for breach of contract. In addition, the Company and Amco intend to seek relief from other entities within or connected to the Pollen Street Capital group, including Honeycomb Investment Trust plc, Shawbrook Bank Limited, Pollen Street Capital Limited and Pollen Street Capital Holdings Limited, for procuring or inducing the breach by HHL of the SPA, as well as reserving their position to take all other measures against and seek other relief from HHL and its connected entities in respect of HHL's breach of the SPA.

COVID-19
Since the balance sheet date, the COVID-19 pandemic has had a major impact around the world, with many countries introducing restrictions on free movement. This has had a major impact on the economy and also had significant impact on the construction industry trying to operate under national "lockdown" restrictions, although recent developments have indicated that aspects of "lockdown" maybe coming to an end.
The Group has assessed both the direct impact of COVID-19 on the ability of the business to continue operating throughout the lockdown period, and the indirect impact on the Group's borrowers and Loan Receivables. The Group has taken various measures to allow it to continue operating, including successfully adopting extensive homeworking arrangements. The Group has also prepared revised financial forecasts for 2020 and 2021 to assess the impact of COVID-19 on the financial performance of the group, including cash flow generation, and the results of stress testing. Based on the analysis performed, it has been concluded that preparation of the financial statements on a going concern remains appropriate.

The impact of COVID-19 only became apparent after the balance sheet date and represents a non-adjusting post balance sheet event. Given the significance of the event a further explanation of the impact on the assumptions presented in the financial statements is given below:

Loan Receivables
Depending on the trajectory of COVID-19 and its implications on the economy there may be an impact on the fair value of Loan Receivables through either a reduction in Gross Development Values (GDV), an increase in the costs to complete developments or through the potential for construction and sales milestones to be missed and therefore for the repayment of the Loans to be delayed. As a result, it is possible that COVID-19 could have a material impact on certain loans within the portfolio although it is not possible for the Group to estimate this impact with a high degree of certainty.

Change in Strategy
Given the impact of COVID-19 on the Group and the wider economy and post the failure of HHL to complete on the proposed transaction, the Board undertook a strategic review of its options. As a result of that review the Board took a decision in April 2020 to pursue an orderly wind down of the Group's loan portfolio in order to maximise the return of capital to shareholders.

Having considered the Group's funding position and financial projections, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

Intangibles
As a result of the impact of COVID-19 and the non-completion of the proposed Transaction with HHL, as well as the change in strategy as outlined above, and the expectation that capital will be returned to shareholders within a period of 7-15 months, it is highly likely that the cash generating unit to which the intangibles have been allocated will be impaired, although it is not possible for the Group to estimate this impact with a high degree of certainty.

Change in Management

In light of the revised strategy and requirements of the Company, its Chief Executive Officer, Randeesh Sandhu, resigned from his position with the Company and the Group as of 18 June 2020.

Mr Sandhu subsequently received a settlement payment of £617,500 in lieu of notice and other contractual entitlements.

The Company also announced that, following its change of strategy, Ravi Takhar is resigning his directorship and positions with the Company and the Group with effect from 30 June 2020 by reason of redundancy. Mr Takhar will receive a settlement payment of £161,836 in lieu of notice and other contractual and statutory entitlements.

Company Statement of Financial Position

As at 31 December 2019

	Note	At 31 December 2019 £000	At 31 December 2018 £000
Non-current assets			
Investments	4	72,240	71,682
Total non-current assets		**72,240**	**71,682**
Current Assets			
Trade and other receivables	6	69,436	72,926
Cash and cash equivalents		2,324	8,937
Total current assets		**71,760**	**81,863**
Total assets		**144,000**	**153,545**
Current liabilities			
Trade and other payables	7	568	1,390
Total current liabilities		**568**	**1,390**
Total Assets less Current liabilities		**143,432**	**152,155**
Net assets		**143,432**	**152,155**
Equity and reserves			
Share capital	9	1,700	1,700
Share premium	10	-	-
Retained earnings		141,732	150,455
Total equity and reserves		**143,432**	**152,155**

The Company's net loss after taxation for the year £3,681,000 (2018: loss £82,000).

The Company Registration Number is 11302859.

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The notes on pages 90 to 98 form an integral part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 25 June 2020 and were signed on its behalf by:

Sam Dobbyn
Chief Executive Officer

Company Statement of Changes of Equity

For the year ended 31 December 2019

	Note	Share capital	Share premium	Retained earnings	Total equity
		£000	£000	£000	£000
Balance at 1 January 2019		**1,700**	**-**	**150,455**	**152,155**
Loss for the year		-	-	(3,681)	(3,681)
Share-based payments		-	-	252	252
Dividends paid	8	-	-	(5,294)	(5,294)
Balance at 31 December 2019		**1,700**	**-**	**141,732**	**143,432**
Balance at 10 April 2018		**-**	**-**	**-**	**-**
Loss for the Period		-	-	(82)	(82)
Share-based payments		-	-	480	480
Dividends payable	8	-	-	(1,316)	(1,316)
Issue of share capital	9	1,700	163,300	-	165,000
IPO costs related to equity issue	10	-	(6,722)	-	(6,722)
Capital reduction	10	-	(156,578)	156,578	-
Share buyback				(5,205)	(5,205)
Balance at 31 December 2018		**1,700**	**-**	**150,455**	**152,155**

The comparatives are for the period from incorporation on 10 April 2018 to 31 December 2018.

The notes on pages 90 to 98 form an integral part of these Financial Statements.

Notes to the Company Financial Statements

For the year ended 31 December 2019

1. General Information and Basis of Preparation

Urban Exposure 1 Plc was incorporated on 10 April 2018 as a public limited Company in England and Wales with company registration number 11302859. The Company changed its name to Urban Exposure Plc on 27 April 2018 and its Ordinary Shares were admitted to trading on AIM on 9 May 2018.

The registered office of the Company is 6 Duke Street St. James's, London SW1Y 6BN.

The Company's principal activity is that of a holding company.

Year and comparative Period of account

The Company Financial Statements are in respect of the year ended 31 December 2019 and the comparatives are for the reporting period ("the Period") from 10 April 2018 to 31 December 2018.

Basis of preparation

The Financial Statements of the Company have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgements in applying the Company's accounting policies.

The Company has applied the exemption allowed under Section 408(1b) of the Companies Act 2006 and has therefore not presented its own Statement of Comprehensive Income in these Financial Statements.

Going Concern

In preparing these financial statements, the Directors have considered the uncertainty created by COVID-19. Whilst there are many unknowns at the time of writing, it is clear that the extent and nature of the impacts to the Company will be determined by both the number of people infected, national and individual responses as well as our own business continuity actions.

The Company has successfully activated its business continuity plans to minimise the risk of disruption to business operations, considering Government advice and the need to safeguard the health of its employees as well as its borrowers.

The Directors have performed cash flow forecasts for a period of at least twelve months from the date of approval of the Annual Report which take account of reasonably possible downsides in relation to the timing and recovery of Loan Receivables. They have also considered the Group's latest budget and forecasts, current and forecast cash balances, and the results of sensitivity analysis and stress testing.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

2. Significant Accounting Policies

Parent Company disclosure exemptions

In preparing the separate financial statement of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102.

- No cash flow statement has been presented for the parent Company;
- Disclosures in respect of the parent Company's financial instruments have not been presented, as equivalent disclosures have been provided in respect of the Group as a whole;
- Disclosures in respect of the parent Company's share-based payment arrangements have not been presented, as equivalent disclosures have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Company as their remuneration is included in the totals for the Group as a whole.

Investments in subsidiaries
Investments in subsidiaries in the Company's Statement of Financial Position are recorded at cost less provision for impairments.

Contract assets
Contract assets acquired as part of the business combination are purchased or originated credit-impaired assets. These assets are subsequently monitored for changes in credit risk and impairment provisions are adjusted accordingly.

Cash at bank and in hand
Cash at bank and in hand comprise cash in hand, deposits held at call with banks, and other short-term highly liquid investments with a maturity of three months or less at the date of acquisition.

Taxation
Tax expense comprises current and deferred tax.

Current tax
Current income tax assets and liabilities are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

When there is uncertainty concerning the Company's filing position regarding the tax bases of assets or liabilities, the taxability of certain transactions or other tax-related assumptions, then the Company:

- Considers whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- Determines if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

This measurement is required to be based on the assumption that the tax authority will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

Deferred tax
Deferred tax is provided on the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilised.

Deferred tax assets and liabilities are measured at the rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Provisions and contingencies
Provisions are liabilities with uncertainties in the amount or timing of payments. Provisions are recognised if there is a present obligation as a result of past events, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if a reliable estimate of the amount of the obligation can be made at the date of the statement of financial position.

A contingent liability is a possible obligation that arises from past events or a present obligation that is not recognised as it is not probable that an outflow of resources will be required to settle the obligation or the amount of obligation cannot be measured with sufficient reliability. A contingent liability is disclosed but not recognised.

Trade payables
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payments are due within one year. If not, they are presented as non-current liabilities.

Notes to the Company Financial Statements continued

Equity
The share capital represents the nominal value of the issued share capital of Urban Exposure Plc.

Treasury Shares

Where the Company purchases its own share capital (Treasury Shares), the consideration paid is set off against share premium. Where the share premium is nil, consideration above the nominal value of shares is debited against retained earnings. The proceeds from the sale of own shares held increase equity. Neither the purchase, cancellation nor sale of own shares leads to a gain or loss being recognised in the income statement.

Dividend and capital distributions
Dividend and capital distributions to the shareholders are recognised in the Company's Financial Statements in the period in which they are declared and appropriately approved. Once approved, dividends are recognised as a liability and recognised as a deduction from equity.

Events after the balance sheet date
Post year-end events that provide additional information about the Company's position at the balance sheet date and are adjusting events are reflected in the Financial Statements. Post year-end events that are not adjusting events are disclosed in the notes when material.

3. Judgements in Applying Accounting Policies and Key Sources of Estimation Uncertainty
The preparation of the Company's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Company Financial Statements:

a. Investment in subsidiaries

The most critical estimates, assumptions, and judgements relate to the determination of carrying value of subsidiary investments and the carrying value of the loans that the Company has made to them. The nature, facts and circumstances of the investment or loan are considered on assessing whether there is any objective evidence of impairment.

b. Trade and other receivables

and other receivables have been valued at amortised cost and are reviewed for effective evidence of impairment. Trade and other receivables include contract assets and amounts due from subsidiary undertakings and prepayments.

c. Current tax

During the ordinary course of business, there are transactions and calculations for which the ultimate tax determination is uncertain. As a result, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due.

The Company 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.

No material uncertain tax positions exist as at 31 December 2019. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will impact income tax expense in the period in which such determination is made.

4. Investments

The investments are in respect of investment in subsidiary undertakings.

	At 31 December 2019	At 31 December 2018
	£000	£000
Cost		
Balance bought forward	71,682	-
Acquired during the year / Period	558	71,682
Cost carried forward	72,240	71,682
Impairment		
At 1 January 2019	-	-
Impairment during the year / Period	-	-
Impairment carried forward	-	-
Net Book value at end of year / Period	**72,240**	**71,682**

During the year, the investment in subsidiaries increased by £252,000 in relation to the share options in the company which are payable to their employees.

During the year, the Company acquired shares on incorporation in Urban Exposure Finance Plc, a company set up in anticipation of the subsequently cancelled proposed bond issue.

The following investments were made in the prior Period:

On the 2 May 2018, Urban Exposure Plc acquired £100 Ordinary Shares in Urban Exposure Holdings Limited from Mr. R. Sandhu for a consideration of £100.

On 9 May 2018, the Company entered into a legacy receivable share exchange agreement with Urban Exposure Holding Company (Jersey) Limited and as a result 7,151,300 Ordinary Shares of £0.01 each were issued for a consideration of £7,151,300.

On 9 May 2018, Urban Exposure Plc acquired a further £7,848,700 Ordinary Shares in Urban Exposure Holdings Limited in a share exchange with the members for a consideration of £7,848,700.

On 9 May 2018, share option were issued to the Directors and employees of Urban Exposure Amco Limited. The fair value of this investment for the year is £252,000 (2018: £480,000).

On the 16 October 2018, Urban Exposure Plc acquired a further £60,000,000 Ordinary Shares in Urban Exposure Holdings Limited.

Notes to the Company Financial Statements continued

5. Subsidiaries

The principal subsidiaries of Urban Exposure Plc are:

Name of company	Country of Incorporation and Principal place of business	Proportion of ownership interest at 31 December 2019	Principal Activity
Urban Exposure Holdings Limited	United Kingdom	100%	Holding company
Urban Exposure Lendco Limited	United Kingdom	100%*	Development finance
UE SFA 1 Limited	United Kingdom	100%*	Asset management
Urban Exposure Amco Limited	United Kingdom	100%*	Support services
LW UE (Davies Street) Limited	United Kingdom	100%*	Dormant
UEIM Limited	United Kingdom	100%*	Dormant
Urban Exposure Finance Plc	United Kingdom	100%*	Dormant

*Indirectly held by a subsidiary

During the year, UEIM Limited was incorporated on 17 January 2019 and Urban Exposure Finance Plc was incorporated on 3 July 2019.

In 2018, Urban Exposure Holdings Limited, Urban Exposure Lendco Limited and Urban Exposure Amco Limited were acquired by Urban Exposure Plc on 9 May 2018.

LW UE (Davies Street) Limited was incorporated 5 October 2018.

6. Trade and Other Receivables

	At 31 December 2019 £000	At 31 December 2018 £000
Contract assets	306	3,409
Other receivables	59	-
Amounts due from subsidiary undertakings	69,006	69,469
Prepayments	65	48
	69,436	**72,926**

Included within contract assets is a balance of £nil (2018: £254,000) recoverable after more than one year.

7. Trade and Other Payables

	At 31 December 2019 £000	At 31 December 2018 £000
Trade payables	70	27
Other creditors	400	1,316
Amounts due to subsidiary undertakings	50	-
Accruals	48	47
	568	**1,390**

8. Dividends

	For the year ended 31 December 2019 £000	For the period ended 31 December 2018 £000
Final dividend of 1.67 pence (2018: nil) per Ordinary share proposed and paid during the year relating to the previous Period's result	2,647	-
Interim dividend of 1.67 pence (2018: 0.83 pence) per Ordinary share paid during the year / Period	2,647	1,316

The Board do not propose payment of a final dividend for the year (2018: 1.67 pence per share proposed).

9. Share Capital

Share capital has been issued as follows:

	Number	Value per share £	Ordinary Shares £000	Deferred Shares £000	Total £000
Issued at 10 April 18 on incorporation	1	1.00	-		-
Issued at 16 April 2018	49,999	1.00	50		50
Shares as at 30th April 2018	50,000		50	-	50
Sub-division of 50,000 £1 shares converted to 5,000,000 1p shares at 30 April 2018	5,000,000	0.01	50		50
Shares re-organised into Ordinary and Deferred shares at 30 April 2018		0.01	(50)	50	-
Issued in share exchange 9 May 2018	14,950,000	0.01	150		150
Issued at IPO 9 May 2018	150,000,000	0.01	1,500		1,500
Balance at 31 December 2018	**169,950,000**		**1,650**	**50**	**1,700**
Movement to 31 December 2019	-		-	-	-
Balance at 31 December 2019	**169,950,000**		**1,650**	**50**	**1,700**

The movement in the number of shares during the year and Period are:

	Ordinary Shares No. Number	Deferred Shares Number	Treasury Shares Number	Total Number
Issued 10 April 18 on incorporation	1			1
Issued at 16 April 2018	49,999			49,999
Shares as at 30 April 2018	50,000	-	-	50,000
Subdivision 50,000 £1 shares converted to 5,000,000 1p shares at 30 April 2018	5,000,000			5,000,000
Shares re-organised into Ordinary and Deferred Shares 30 April 2018	(4,950,000)	4,950,000		-
Issued in share exchange 9 May 2018	14,950,000			14,950,000
Issued at IPO 9 May 2018	150,000,000			150,000,000
Shares re-purchased as Treasury shares 14 November 2018	(6,505,870)	-	6,505,870	-
Balance at 31 December 2018	**158,494,130**	**4,950,000**	**6,505,870**	**169,950,000**
Movement to 31 December 2019	-	-	-	-
Balance at 31 December 2019	**158,494,130**	**4,950,000**	**6,505,870**	**169,950,000**

There was no movement in share capital during the year.

Notes to the Company Financial Statements continued

The following movements in share capital occurred during the prior Period:

On incorporation on 10 April 2018, the Company issued 1 Ordinary Shares of £1 each at par value. On 16 April 2018, the Company issued another 49,999 shares of £1 each.

At 30 April 2018, the entire share capital of 50,000 Ordinary Shares were subdivided into 5,000,000 Ordinary Shares or £0.01 each and reorganised into 50,000 Ordinary Shares of £0.01 each and 4,950,000 of deferred shares of £0.01 each.

On 9 May 2018, the Company entered into a legacy receivables shares exchange agreement with Urban Exposure Holding Company (Jersey) Limited and as a result 7,151,300 Ordinary Shares of £0.01 each were issued for a consideration of £7,151,300.

On 9 May 2018, the Company entered into a share exchange agreement with the members of Urban Exposure Investment Management LLP and issued 7,798,700 shares of £0.01 each for a consideration of £7,848,700.

On 9 May 2018, the Company listed on AIM and issued 150,000,000 of £0.01 each at an issue price of £1.

On 14 November 2018, the Company re-purchased 6,505,870 £0.01 Ordinary Shares for a consideration of £0.80 per share through a share buyback. All the shares re-purchased are held as Treasury Shares.

The Ordinary Shares have full voting, dividend and capital distribution rights (including on a winding up). The Ordinary Shares do not confer any rights of redemption.

The Deferred Shares have no rights to dividends and no right to partake in a capital distribution (including on a winding up) before all other shareholders, neither do they confer any right to attend or vote at a general meeting of the Company.

10. Share Premium

	£000
Balance at 10 April 2018	**-**
Share premium arising on Ordinary Shares issued	163,300
Share issue costs	(6,722)
Transfer to retained earnings	(156,578)
Balance at 31 December 2018	**-**
Movement to 31 December 2019	-
Balance at 31 December 2019	**-**

There was no movement in share capital during the year.

The following movements in share capital occurred during the prior Period:

On 31 May 2018, a resolution was passed authorising, conditional on admission, the amount standing to the credit of the share premium account of the Company (less any issue expenses set off against the share premium account) to be cancelled and the amount of the share premium account so cancelled to be credited to the retained earnings.

An application was made to the High Court to cancel the share premium account and judgement was obtained by Order of the High Court of Justice, Chancery Division, to approve the application and the share premium of £156,578,000 was cancelled and credited to retained earnings.

The SH19 form was submitted to Companies House with a copy of the court order on 24 July 2018.

11. Related Party Transactions

Details of the Directors' emoluments and of Directors' interests is given in the Remuneration Committee Report on pages 30 to 36.

Dividends of £302,000 were paid to the Directors and key managers of Urban Exposure Plc in the year for the 2018 final dividend approved and paid in 2019 and the interim dividend for 2019. No final dividend is proposed for 2019 (2018 £73,000 interim dividend for 2018 payable to the Directors and key managers of Urban Exposure Plc).

During the year, £7,000 was advance to Urban Exposure Philanthropy Limited, a related company. The balance at 31 December 2019 (31 December 2018 £nil). See note 29 of the Group financial statements for further details with regards to the loan.

During the year, the Company settled a claim of £400,000 by JLL relating to an agreement with a Legacy UE company for introduction of potential funding partners in return for introduction fees. Although the Company was not a party to the JLL Agreement, the Board agreed that the benefit to the Company of concluding the claim justified payment by the Company of the settlement amount in the context of the introduction of the KKR as a funding party. The Legacy UE Companies are entities ultimately controlled by two of the executive directors (and their families), Randeesh Sandhu and Rabinder Takhar.

There were no investments acquired or disposed to related parties in the year.

In the Period ended 31 December 2018, the following investments were acquired from related parties:
On 2 May 2018, Urban Exposure Plc acquired £100 Ordinary Shares in Urban Exposure Holdings Limited from Mr. R. Sandhu, a Company Director, for a consideration of £100.

On 9 May 2018, the Company entered into a legacy receivable share exchange agreement with Urban Exposure Holding Company (Jersey) Limited, and as a result 7,151,300 Ordinary Shares of £0.01 each were issued for a consideration of £7,151,300.

On 16 October 2018, Urban Exposure Plc acquired a further £60,000,000 Ordinary Shares Urban Exposure Holdings Limited.

12. Post Balance Sheet Events

Transaction with Honeycomb Holdings Limited

On 10 March 2020, the Company proposed the disposal of Urban Exposure Lendco Limited ("Lendco") to Honeycomb Holdings Limited ("HHL"). Lendco owns the Group's loan portfolio and its interest in the Group's partnership with KKR & Co. This disposal was subject to shareholder approval which was obtained at a general meeting of the Company on 30 March.

On 26 March 2020, the Company received indication from HHL that, in light of current market conditions, HHL did not wish to proceed with the purchase of Lendco. The Company's position continues to be that it shall take all steps to be in a position to complete the sale and purchase of Lendco on the terms of the share purchase agreement among the Group, HHL and Amco dated 10 March 2020 (the "SPA") and reserves its position to take all measures, including, without limitation, seeking specific performance of HHL's obligations under the SPA.

COVID-19

Since the balance sheet date, the COVID-19 pandemic has had a major impact around the world, with many countries introducing restrictions on free movement. This has had a major impact on the economy and also had significant impact on the construction industry trying to operate under national "lockdown" restrictions. The Company has assessed both the direct impact of COVID-19 on the ability of the business to continue operating throughout the lockdown period, and the indirect impact on the Company's investments and trade and other receivables. The Company has taken various measures to allow it to continue operating, including successfully adopting extensive homeworking arrangements. The Company has also prepared revised financial forecasts for 2020 and 2021 to assess the impact of COVID-19 on the financial performance of the Company, including cash flow generation, and the results of stress testing. Based on the analysis performed, it has been concluded that preparation of the financial statements on a going concern remains appropriate.

The impact of COVID-19 only became apparent after the balance sheet date and represents a non-adjusting post balance sheet event.

Notes to the Company Financial Statements continued

Change in Management

In light of the revised strategy and requirements of the Company, its Chief Executive Officer, Randeesh Sandhu, resigned from his position with the Company as of 18 June 2020.

Mr Sandhu subsequently received a settlement payment of £617,500 in lieu of notice and other contractual entitlements.

The Company also announced that, following its change of strategy, Ravi Takhar is resigning his directorship and position with the Company with effect from 30 June 2020 by reason of redundancy. Mr Takhar will receive a settlement payment of £161,836 in lieu of notice and other contractual and statutory entitlements.

Glossary

Term	Short term	Definition
Adjusted earnings per share	Adjusted EPS	Profit or loss after tax for the period, adjusted to exclude exceptional items, divided by the weighted average number of Ordinary Shares in issue over the same period.
Assets under management	AUM	External funds managed by the Company on behalf of investors, including banks and other capital providers.
Basic earnings per share	Basic EPS	Profit or loss after tax for the period divided by the weighted average number of Ordinary Shares in issue over the same period.
Blind pool		An investment into an unseeded investment vehicle (e.g. a fund with no loans at the date of investment).
Committed loans		The total amount (in £ sterling) of a loan facility to a borrower.
Diluted number of Ordinary Shares		The weighted average number of Ordinary Shares in issue, adjusted to assume conversion of all dilutive potential Ordinary Shares. These arise from awards made under share-based incentive schemes. Share awards with performance conditions attaching to them are not considered to be dilutive if the share price on their exercise is above market price.
Diluted earnings per share	Diluted EPS	Profit or loss after tax for the period, divided by the diluted weighted average number of Ordinary Shares in issue over the same period.
Exceptional items		Income or expenses which are one-off, non-recurring and exceptional in nature or size.
Fair value		Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's-length transaction at the measurement date.
Gross development value	GDV	Gross development value is the aggregate of the capital receipts from the sale of all the units in a development on the special assumption that the proposed development has been completed and 100% sold at today's date at current day values (whereby 'today's date' / 'current day' is the date of valuation).
House Price Index	HPI	The UK House Price Index (UK HPI) captures changes in the value of residential properties.
International Financial Reporting Standards	IFRS	International Financial Reporting Standards as adopted by the EU.
Internal rate of return	IRR	The internal rate of return is a discount rate that makes the net present value (NPV) of all cash flows from a particular project equal to zero; this is typically based on an annualised period.
Key Performance Indicators	KPI	A business metric used to evaluate factors that are key to the success of the Company and its key business components.
Loan-to-gross development value	LTGDVV	The amount of the loan expressed as a percentage of the gross development value of the asset.
Loan-on-loan line		A leverage facility providing finance backed on an underlying loan as collateral.

Term	Short term	Definition
London Interbank Offered Rate	LIBOR	The basic rate of interest used in lending between banks on the London interbank market and also used as a reference for setting the interest rate on other loans.
Minimum Income Clause	MIC	A clause in a loan agreement which entitles the lender to a guaranteed minimum level of income.
Money multiple	MM	Money multiple is the expression of the return multiple relative to the amount invested, e.g. for a return of £20 on £100 invested, the MM would equate to 1.2x.
Net Asset Value	NAV	Total equity shareholders' funds (equivalent to the value of the Company's net assets).
Net asset value per share	NAVPS	Net asset value as defined, divided by the closing number of Ordinary Shares in issue (adjusted for treasury shares).
Performance fees		Performance fees are the Company's remaining share of income once it has returned the cost of the investment and agreed preferred returns to investors and capital providers.
Projected aggregate income	PAI	Total projected income including interest and other connected income streams after return of initial investment, estimated to be earned over the life of the loan.
Return on equity	ROE	Profit attributable to Ordinary Shareholders in a period, divided by the average ordinary shareholders' equity over the same period.
Right-of-use asset		A right-of-use asset refers to a leased asset where the lease confers the right to obtain substantially all the economic benefits from the use of an identifiable asset and gives the right to direct the use of that asset.
Teaming		Teaming is a dynamic activity, not a bounded, static entity as defined by 'team'. Professor Amy Edmondson of Harvard Business School coined the term which calls for developing both affective (feeling) and cognitive (thinking) skills and is enabled by distributed leadership. The purpose of teaming is to expand knowledge and expertise so that organisations and their customers can capture value.
Total shareholder return	TSR	The growth in capital from purchasing a share in the Company assuming that the dividends are reinvested each time they are paid.
Underlying Earnings per share		The same as adjusted earnings per share.
Unlevered		Unlevered means excluding the cost of debt, i.e. before taking interest payments into account.
Weighted average	WA	A weighted average is a type of average in which each observation in the data set is multiplied by a predetermined weight before the average is calculated. In calculating a simple average (arithmetic mean) all observations are treated equally and assigned equal weight. A weighted average assigns weights that determine the relative importance of each data point. Weightings are the equivalent of having that many like items with the same value involved in the average.

Directors and Advisors of Urban Exposure Plc

Directors	Roles
William Arthur McKee, CBE	Non-Executive Chairman
Sam Dobbyn	Chief Executive Officer
Rabinder Singh Takhar	Chief Risk Officer
Andrew Martin Baddeley	Non-Executive Director
Nigel Peter Greenaway	Non-Executive Director

Company Secretary

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