Urban Exposure PLC

Interim Condensed Consolidated Financial Statements for the six months ended 30 June 2020

Business Highlights

- Since 5 May 2020, the Group has been focused solely on completing an orderly wind-down of its assets and operations to maximise the return of shareholder capital.
- On 19 June 2020, the Group estimated that a range of shareholder returns of between 70p – 83p per ordinary share was possible with 80% of proceeds expected to be returned within 7 to 15 months.
- As at the date of these results the Group expects shareholder returns to be within the range of 72p – 78p per ordinary share with 90% of proceeds expected to be returned within 12 months. This range has been revised following a thorough review of all existing loan obligations and a number of refinancing deals undertaken or in progress to deliver value for shareholders.
- Following implementation of the Group's stated wind-down strategy, the Group has a cash balance of £51m at the publication date of this report of which it expects to return approximately £26m within the next 2 months via a tender offer. The total size of the distribution may increase should further loan redemptions occur prior to the announcement of the tender offer.
- Any funding obligation that the Group has, under the terms of existing loans, has been provided for in the Company's cash projections.

Financial Highlights

- The Group loss before tax for the period was £24.1m (June 2019: loss of £0.3m).
- The Group loss before tax for the period excluding exceptional items was £6.3m (June 2019: profit before tax of £0.0m).
- During the period, the Group had:
    - Negative revenue of £2.0m recognised due to a reduction in fair values as a result of the uncertainty created by Covid-19 (June 2019: Revenue of £5.3m).
    - Operating costs of £4.3m (June 2019: £5.3m) exclusive of exceptional costs. Exceptional costs were £17.8m reflecting the write down of goodwill and brand value due to the change in Group strategy and costs associated with potential transactions.
- The Board has proposed a distribution of approximately £26m to take place via a tender offer.
- Basic loss per share: 15.14p (June 2019: £0.16p).
- Basic loss per share adjusted for exceptional costs of 3.90p (profit per share adjusted for exceptional costs of 0.003p).
- Net tangible asset value[1] £121.7m (June 2019: £135.2m, December 2019: £133.1m).
- Net tangible asset value per share: 77p
- Cash and cash equivalents per share: 12p
- Loans receivable per share: 62p

[1] Calculated as Net Asset Value exclusive of Intangible assets

Chairman’s statement

This is my first report to shareholders following my appointment at the Company’s Annual General Meeting in July and William McKee’s retirement from the Board. I would like to wish William well for the future.

SIGNIFICANT EVENTS

The period under review has been one of significant challenge and change for the Group, played out against the backdrop of the economic and social impacts inflicted by the Covid-19 virus.

Earlier in the year, the Group announced the proposed disposal of Urban Exposure Lendco Limited, the owner of the Group’s loan portfolio and its interest in the Group’s partnership with KKR & Co, to Honeycomb Holdings Limited (‘HHL’).

As previously communicated to shareholders, the Group received a purported notice of termination from HHL of the Share Purchase Agreement (‘SPA’) between the parties. The Group considers there is no valid basis for the termination of the SPA by HHL. In consequence, the Group is in the process of claiming damages from HHL for breach of contract.

The Board and management intend to pursue this claim vigorously, as well as seek relief from other entities connected to Pollen Street Capital Limited.

In May the Board undertook a strategic review of the Group and its prospects and concluded that shareholders’ interests would be best served by an orderly wind-down of the Group’s activities and return of capital to shareholders.

Subsequent to that decision, the Group engaged with a number of other entities interested in acquiring its loan portfolio. However, the range of indicative prices offered was considered to be significantly below the loan portfolio’s intrinsic value and so the approaches were not pursued further.

MANAGEMENT CHANGES

As a result of the change in strategy, Randeesh Sandhu (Chief Executive Officer) and Daljit Sandhu (Chief Operating Officer) resigned from their positions with the Group and Company with immediate effect on 18 June 2020. Rabinder Takhar (Chief Risk Officer) resigned his directorship and positions with the Group and Company with effect from 30 June 2020 by reason of redundancy.

Sam Dobbyn, previously Chief Financial Officer, was appointed as Chief Executive Officer following these departures and now leads a reduced and restructured senior management team.

RESULT

The result for the period is a pre-tax loss of £24.1m, primarily because of a limited number of write downs to the fair value of some of the loans in the portfolio, due to the market uncertainty created by Covid-19, as well as goodwill and brand write offs of £12.4m due to the Group’s change in strategy.

Additionally, the Group incurred exceptional costs as a result of the HHL transaction, and its failure to complete, and redundancy and termination payments to executive directors and staff following the decision to wind down the Group’s operations.

Further detail on the result is contained in the Chief Executive’s report.

GOVERNANCE

Shareholders will be aware that the Board commissioned an independent inquiry by a leading law firm to investigate the corporate governance failings surrounding the loan made to Urban Exposure Philanthropy Limited ('UEP'), a company controlled by Mr and Mrs Sandhu, the findings of which are presently awaited.

With the recent changes to the Board and structure of the Company, there has been a significant focus on improving corporate governance. The Board is highly cognisant of the previous corporate governance failings surrounding the loan made to UEP and I would like to provide comfort to investors that the newly constituted Board is fully committed to ensuring that such issues cannot and do not arise again.

Shareholders will not suffer losses as a result of this transaction as Mr and Mrs Sandhu have procured that UEP will repay the loan (balance at the date of this report £907,000) no later than 31 December 2020 and the Group holds 2.8 million ordinary shares in Urban Exposure plc as security.

RETURNS TO SHAREHOLDERS

At the time of announcement of the Group's results for 2019 it was estimated that returns to shareholders from the wind down process would be in the region of 70p to 83p per share on a fully diluted basis.

The Board has reviewed these estimates and has refined them to a narrower range of 72p to 78p with 90% of the proceeds being returned within 12 months from now, although I would emphasise that there can be no certainty around the amount or timing of the returns.

This reflects the on-going work and significant effort which has gone into maintaining and maximising value for shareholders through careful management of the Group's loan portfolio.

In line with the Board's commitment to return cash to shareholders as soon as possible, I am pleased to announce the Group's intention to implement a tender offer with a distribution of approximately £26m expected within the next 2 months. The total size of this distribution may increase should further loan redemptions occur prior to the announcement of the tender offer.

Subject to the pace of loan recoveries and repayments, the Board will consider a further Tender Offer being implemented early in 2021. In addition, the Company has authority to re-purchase up to 14.99 per cent of its issued share capital and the Board will consider the use of share buy-backs to provide additional returns to shareholders.

EMPLOYEES

This has been a difficult period for the Group's employees. There has been the uncertainty engendered both by the proposed HHL transaction and subsequent loan sale approaches; the decision to wind down the Group's operations and the significant change in working practices as a result of Covid-19.

To those staff members who left the Group by reason of redundancy as a result of the change in strategy I would like to thank them for their past efforts and wish them well in the future.

To employees that remain, I would like to thank them on behalf of shareholders for their professionalism and commitment to the process of winding down the Group's activities.

Graham Warner
Chairman

Chief Executive's Review

Since the announcement of the revised business strategy and my appointment shortly after, the Group has focused solely on completing an orderly wind-down of its assets and operations to maximise the return of shareholder capital. This is a significant change in strategy for the business, and my team and I are determined to realise value for shareholders.

A number of loans have already been repaid, and we have exited some of our larger loans that would have delayed the return of shareholder capital. The ongoing cost base of the Group has also been significantly reduced in the period to reflect the revised strategy. Together this will allow us to begin the redistribution of capital to shareholders.

Loan Book and Credit Quality

The Group has focused their efforts on realising the value of the loan portfolio through loan sales and refinances, restructuring commitments, or via the servicing of loans to maturity. Due to the active management of the portfolio the Group has reduced its forecast capital drawdown obligations to approximately £10.2m

Despite the uncertainty caused by Covid-19, we continue to have a diverse portfolio of high-quality loans and co-investments. The remaining portfolio of loans has a weighted average loan to gross development value (WA LTGDV) of 64%. However, this metric does not fully reflect the underlying level of security against the Group's loans, due to the stringent pre-sale requirements the Group negotiated as part of any development loan agreement.

UK Housing Market

As a lender we are principally focused on the UK residential market. The start of 2020 saw an increase in confidence in the residential sector with transactions and prices increasing for much of the UK as political uncertainty dissipated.

The impact of Covid-19 on the UK housing market was sudden. Social distancing prevented viewings and completions, effectively freezing the market, with the number of properties sold across the UK falling c.55% by April 2020. The impact on prices during this period is less clear due to the low number of sales, although Land Registry data indicated a decline of 1.7% in May - the steepest decline since 2009.

As social distancing eased viewings and completions could continue, and there was clear evidence of pent-up demand with both enquiries and sales reaching 2019 levels by early June 2020. The reduction in Stamp Duty announced by the Government will have supported this bounce-back and is likely to continue to do so until the expected current expiry of this relief in March 2021.

A recovery in demand, good mortgage availability and a limited supply of new housing, has meant that prices have also recovered. Nationwide House Price Index data suggesting that all losses recorded in May and June had been reversed, and by August had reached an all-time high.

Understandably the outlook for the UK housing market is somewhat uncertain. The full economic impact of Covid-19 is not yet clear, and a second rise in cases coupled with another lockdown remain key risks in the short term. That said, recent data has proved encouraging, evidencing both the level of underlying demand and ability of the market to recover quickly. Longer term, the potential downside risk to the economy and its impact on affordability must be weighed against a fundamental undersupply of housing and potential for interest rates remaining lower for longer.

Financial Review

Income

£'m	30 June 2020	30 June 2019
Income	(2.0)	5.3
Operating costs	(4.3)	(5.2)
Operating (loss) / profit before exceptional items	**(6.3)**	**0.1**
Exceptional items	(17.8)	(0.3)
Finance costs	0.0	(0.1)
Loss before taxation	**(24.1)**	**(0.3)**
Taxation	0.1	0.1
Loss after taxation	**(24.0)**	**(0.2)**
Basic EPS	(15.14p)	(0.16p)
Diluted EPS	(15.14p)	(0.16p)
Dividend per share	0.00p	1.67p

Capital

£'m	30 June 2020	30 June 2019
Cash and cash equivalents	18.7	46.4
Tangible net assets	121.7	135.2
Tangible NAV per share - pence	77p	85p
Number of shares in issue (millions)	165,000	165,000
Number of shares in issue (excluding treasury shares) (millions)	158,494	158,494

Revenue

Negative income of (£2.0m) represents £6.0m fair value income on loans receivable adjusted down by £9.0m for fair value reductions on a limited number of loans due to either the market uncertainty created by the impact of Covid-19 or to the early terminations of some loans. The remaining income of £1.0m is split between income earned from asset management of £0.7m and income from legacy contract assets of £0.1m, with fair value income from investments amounting to £0.2m.

The comparative analysis for June 2019 is made up of £5.0m fair value income on loans receivable, income from asset management of £0.2m and income from legacy contract assets of £0.1m with fair value income from investments amounting to (£0.1m) and other income of £0.1m.

Operating expenses

With the change in strategy to wind-down the loan book operating costs will significantly reduce, however initially costs were incurred including redundancy costs and early exit fees for on-going contractual agreements. As at June 2020, total operating costs excluding exceptional items were £4.3m (June 2019: £5.3m), which includes staff costs of £2.7m (June 2019: £3.5m).

Total operating costs including exceptional items were £22.1m (June 2019: £5.5m).

Exceptional items

The exceptional items of £17.8m (2019: £0.3m) are as detailed below.

During the period, the group incurred exceptional legal and professional costs of £3.5m related to the proposed disposal of Urban Exposure Lendco Limited to HHL and, following breach of that SPA, a subsequent project to potentially sell the Group asset management company which did not proceed.

Following the failure of HHL to complete the proposed transaction, the Group changed its strategy to an orderly wind down of the Group's loan portfolio. This led to redundancies at a cost of £1.3m to 30 June 2020. The Group expects to incur further redundancy costs in the second half of the year as resources reflect the remaining activities.

Due to the change in strategy, the Group has impaired the carrying value of its intangible assets, comprising goodwill and brands, to £nil, resulting in an exceptional cost for the period of £10.9m and £1.5m respectively.

As a result of the redundancies and the orderly wind-down, the Group has reviewed its office requirements and estimates a right-of-use lease impairment of £0.6m.

In the comparative period ended 30 June 2019, costs of £0.3m relating to a cancelled proposed bond issue were expensed.

Earnings per share

The basic loss per share for the period is 15.14p (June 2019: basic loss per share 0.16p).

The adjusted basic loss per share (after exceptional items) for the period is 3.90p (June 2019: adjusted basic profit per share £0.003p).

The basic loss per share (after exceptional items) is based on a weighted average number of shares of 158,494,130 (2019: 158,494,130).

Distributions

Given the progress made to date following the change in strategy, as at the date of this report the Group has an approximate cash position of £51m and the Board has determined that approximately £26m will be returned to shareholders by way of a tender offer. The total size of this distribution may increase should further loan redemptions occur prior to the announcement of the tender offer. It is expected that the tender offer will be implemented within the next two months with full details to be published in the near future.

Abridged Balance sheet

£'m	30 June 2020	30 June 2019
Non-current asset	8.4	21.2
Fair value of loans	98.1	83.6
Contract assets	0.3	3.0
Cash and cash equivalents	18.7	46.4
Other assets and liabilities	(3.8)	(6.5)
Net assets	**121.7**	**147.7**

Abridged Cash flow

£'m	30 June 2020	30 June 2019
Operating cash flows before movement in working capital	(10.7)	0.2
Change in working capital	6.7	3.6
Net cash (outflow)/inflow from operating activities	**(4.0)**	**3.8**
Capital Expenditure	0.0	(0.1)
Net cash outflow from investing activities	**0.0**	**(0.1)**
Lease liabilities	(0.1)	(0.1)
Dividends paid	0.0	(4.0)
Net cash outflow from financing activities	**(0.1)**	**(4.1)**
Net decrease in cash and cash equivalents	**(4.1)**	**(0.4)**

Investments

During the period, our investment in the partnership with Kohlberg Kravis Roberts increased by £0.4m to £7.1m. There was also a fair value gain on the investment of £0.2m. Overall this investment represents Urban Exposure's 9.1% share of £75.8m total invested by the partners to fund loan drawdowns.

Loans receivable

The fair value of loans as at June 2020 was £98.1m after reflecting a reduction of £9.0m in fair values.

Cash flow

Operating cash outflows before movement in working capital of £10.7m reflects the loss for the period after adjustment for non-cash items, with the principal item being the reduction in goodwill and brand and impairment of right-of use lease assets. The change in working capital reflects the reduction in the loan receivable balance offset by the investment in the KKR partnership.

Sam Dobbyn

Chief Executive Officer

INDEPENDENT REVIEW REPORT TO URBAN EXPOSURE PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the consolidated statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and notes.
We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our responsibility

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

Scope of review

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

Emphasis of matter: wind down of activities

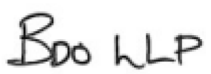
We draw your attention to the disclosures in note 1 to the financial statements, which explains that the directors have taken the decision to realise the Group's loan book through an orderly wind down of activities and to subsequently return capital to shareholders. Our conclusion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

Use of our Report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.



BDO LLP
Chartered Accountants
London, UK

Date

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000
Income	3	**(2,023)**	**5,305**
Administrative Expenses - before exceptional items		(4,260)	(5,248)
Administrative Expenses - Exceptional items	6	(17,808)	(312)
Administrative Expenses – Total	5	**(22,068)**	**(5,560)**
Operating Loss	**4**	**(24,091)**	**(255)**
Finance costs		(8)	(51)
Loss before taxation for period		**(24,099)**	**(306)**
Taxation		107	58
Loss after taxation for the period and total Comprehensive Income		**(23,992)**	**(248)**
LOSS PER SHARE			
Basic EPS (loss)	7	(15.14p)	(0.16p)
Diluted EPS (loss)	7	(15.14p)	(0.16p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	As at 30 June 2020 Unaudited £000	As at 30 June 2019 Unaudited £000	As at 31 December 2019 Audited £000
Non-current assets				
Intangible assets	9	-	12,582	12,488
Tangible assets	10	1,233	4,166	3,702
Investments	11	7,136	4,416	6,570
Total non-current assets		**8,369**	**21,164**	**22,760**
Current Assets				
Loans receivable	12	98,058	83,617	103,630
Trade and other receivables		1,862	3,996	1,745
Cash and cash equivalents	13	18,659	46,365	22,787
Total current assets		**118,579**	**133,978**	**128,162**
Total assets		**126,948**	**155,142**	**150,922**
Current liabilities				
Trade and other payables		3,711	3,657	1,829
Lease liabilities		479	216	295
Total current liabilities		**4,190**	**3,873**	**2,124**
Total Assets less Current liabilities		**122,758**	**151,269**	**148,798**
Non-current liabilities				
Lease liabilities		1,062	3,502	3,068
Deferred tax		-	25	107
Total non-current liabilities		**1,062**	**3,527**	**3,175**
Net assets		**121,696**	**147,742**	**145,623**
Equity and reserves				
Share capital	14	1,700	1,700	1,700
Retained earnings		119,996	146,042	143,923
Total equity and reserves		**121,696**	**147,742**	**145,623**

These Financial Statements were approved and authorised for issue by the Board of Directors on 21 September 2020 and were signed on its behalf by:

Sam Dobbyn
Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

Six months ended 30 June 2020	Note	Share capital	Retained earnings	Total equity
		Unaudited	Unaudited	Unaudited
		£000	£000	£000
Balance brought forward 1 January 2020		1,700	143,923	145,623
Loss for the period		-	(23,992)	(23,992)
Share-based payments		-	65	65
Dividends paid	8	-	-	-
Balance as at 30 June 2020		**1,700**	**119,996**	**121,696**

Six months ended 30 June 2019	Note	Share capital	Retained earnings	Total equity
		Unaudited	Unaudited	Unaudited
		£000	£000	£000
Balance brought forward 1 January 2019		1,700	148,821	150,521
Loss for the period		-	(248)	(248)
Share-based payments		-	116	116
Dividends paid	8	-	(2,647)	(2,647)
Balance as at 30 June 2019		**1,700**	**146,042**	**147,742**

Year ended 31 December 2019	Note	Share capital	Retained earnings	Total equity
		Audited	Audited	Audited
		£000	£000	£000
Balance brought forward 1 January 2019		1,700	148,821	150,521
Profit for the year		-	144	144
Share-based payments		-	252	252
Dividends paid	8	-	(5,294)	(5,294)
Balance as at 31 December 2019		**1,700**	**143,923**	**145,623**

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000	Year ended 31 December 2019 Audited £000
Cash flows from operating activities				
(Loss) / profit for the period after taxation		(23,992)	(248)	144
Adjustments for non-cash items:				
Amortisation of intangible assets	4	94	93	186
Impairment of intangible assets	6	12,394	-	-
Depreciation of tangible assets	4	185	220	442
Impairment of tangible assets	6	600	-	-
Fair value reduction in contract assets		-	-	2,095
Share-based payments		65	116	252
Finance costs		8	51	94
Deferred tax credit for period		(107)	(58)	23
		(10,753)	174	3,236
Changes in working capital				
Increase / (decrease) in payables		1,882	440	(1,386)
Increase in trade investments	11	(566)	(2,467)	(4,621)
Decrease / (increase) in receivables		5,455	5,623	(14,234)
Net cash (outflow) / inflow from operating activities		**(3,982)**	**3,770**	**(17,005)**
Cash flows from investing activities				
Payments for purchase of tangible assets	10	(7)	(110)	(97)
Net cash outflow from investing activities		**(7)**	**(110)**	**(97)**
Cash flows from financing activities				
Principal paid on lease liabilities		(131)	(78)	(202)
Interest paid on lease liabilities		(8)	(60)	(105)
Dividends paid	8	-	(3,963)	(6,610)
Net cash inflow from financing activities		**(139)**	**(4,101)**	**(6,917)**
Net increase in cash and cash equivalents		(4,128)	(441)	(24,019)
Cash and cash equivalents brought forward		22,787	46,806	46,806
Cash and cash equivalents as at 30 June 2020	**13**	**18,659**	**46,365**	**22,787**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL INFORMATION AND BASIS OF PREPARATION

General information

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.

Period of account

The Consolidated Financial Statements of the Group are in respect of the six months ended 30 June 2020. The comparatives are for the six months ended 30 June 2019 and for the year ended 31 December 2019.

Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Committee ("IFRIC") of the IASB (together "IFRS") as adopted by the European Union.

The information relating to the six months ended 30 June 2020 and the comparative information for the six months ended 30 June 2019 is unaudited and does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. The Group's statutory financial statements to 31 December 2019 are audited and have been delivered to the Register of Companies. The report of the auditor was unqualified but contained two matters to which the auditors drew attention by way of emphasis of matter. The two paragraphs related to post balance sheet events and a related party loan and can be found on page 42 of the Annual Report for the year ended 31 December 2019.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2019.

As previously announced, 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 Directors took the decision to realise the value of the loan book through an orderly wind down of activities and to subsequently return capital to shareholders. This process is ongoing. As the Directors remain 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 half-year financial report, they have prepared the report on a going concern basis.

2. 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.

(i) Principal financial instruments

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

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

2.FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(ii) Financial instruments by category

£000	As at 30 June 2020 Fair value through profit or loss Unaudited	Amortised cost Unaudited	Total Unaudited
Financial assets			
Investments	7,136		7,136
Loan receivables	98,058		98,058
Contract assets	306		306
Trade and other receivables		1,479	1,479
Cash and cash equivalents		18,659	18,659
Total financial assets	**105,500**	**20,138**	**125,638**
Financial liabilities			
Trade and other payables		(3,711)	(3,711)
Total financial liabilities	**-**	**(3,711)**	**(3,711)**

£000	As at 30 June 2019 Fair value through profit or loss Unaudited	Amortised cost Unaudited	Total Unaudited
Financial assets			
Investments	4,416		4,416
Loan receivables	83,617		83,617
Contract assets	3,037		3,037
Trade and other receivables		693	693
Cash and cash equivalents		46,365	46,365
Total financial assets	**91,070**	**47,058**	**138,128**
Financial liabilities			
Trade and other payables		(3,657)	(3,657)
Total financial liabilities	**-**	**(3,657)**	**(3,657)**

£'000	As at 31 December 2019 Fair value through profit or loss Audited	Amortised cost Audited	Total Audited
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	**110,506**	**24,079**	**134,585**
Financial liabilities			
Trade and other payables		1,829	1,829
Total financial liabilities	**-**	**1,829**	**1,829**

2. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(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 other receivables has been amortised to estimated net recoverable value where there are circumstances indicating that the full value will not be recovered. Trade receivables are measured at amortised cost and are impaired for expected credit losses. 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:

	As at 30 June 2020	As at 30 June 2019	As at 31 December 2019
	Fair value	Fair value	Fair value
£000	Level 3	Level 3	Level 3
Financial assets			
Investments	7,136	4,416	6,570
Loan receivables	98,058	83,617	103,630
Contract assets	306	3,037	306
Total financial assets	**105,500**	**91,070**	**110,506**

2. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(v) Financial instruments measured at fair value

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 30 June 2020 Unaudited	As at 30 June 2019 Unaudited	As at 31 December 2019 Audited
				£000	£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 loans can be syndicated to third parties at the fair value.	The earlier the timing of the drawdowns and the higher the value of the drawdowns, the higher the fair value of the loan receivables.	98,058	83,617	103,630
Equity investments	Initial transaction costs subsequently valued 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 value of the drawdowns the higher the fair value of the investment.	7,136	4,416	6,570
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	3,037	306
			Total financial assets	**105,500**	**91,070**	**110,506**

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2. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(v) Financial instruments measured at fair value

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.

	Movement to 30 June 2020		
Sensitivity of fair values	**Value in Financial Statements £000**	**+ 1% change in interest rate £000**	**- 1% change in interest rate £000**
Investments	7,136	7,244	7,028
Loan receivables	98,058	98,387	97,729
Contract assets	306	335	277
Balance as at 30 June 2020	**105,500**	**105,966**	**105,034**

	Movement to 30 June 2019		
Sensitivity of fair values	**Value in Financial Statements £000**	**+ 1% change in interest rate £000**	**- 1% change in interest rate £000**
Investments	4,416	4,474	4,368
Loan receivables	83,617	83,817	83,416
Contract assets	3,037	3,118	2,957
Balance as at 30 June 2019	**91,070**	**91,409**	**90,741**

	Movement to 31 December 2019		
Sensitivity of fair values	**Value in Financial Statements £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 as at 31 December 2019	**110,506**	**111,340**	**109,682**

2. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

(vi) Financial instruments measured at fair value

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

	Movement six months to 30 June 2020		
Reconciliation of fair value balances - Level 3	**Loan receivables Unaudited £000**	**Investments Unaudited £000**	**Contract assets Unaudited £000**
Balance as at 1 January 2020	103,630	6,570	306
New loans / investments advanced during period	18,562	410	-
Loan repayments / contract asset receipts	(7,519)	-	(113)
Loan sold to asset management structures	(13,600)	-	-
Fair value through profit or loss	(3,015)	156	113
Balance as at 30 June 2020	**98,058**	**7,136**	**306**

	Movement six months to 30 June 2019		
Reconciliation of fair value balances - Level 3	**Loan receivables Unaudited £000**	**Investments Unaudited £000**	**Contract assets Unaudited £000**
Balance as at 1 January 2019	89,544	1,949	3,154
New loans / investments advanced during period	7,358	2,519	-
Loan repayments / contract asset receipts	(18,272)	-	(232)
Fair value through income statement	4,987	(52)	115
Balance as at 30 June 2019	**83,617**	**4,416**	**3,037**

	Movement year to 31 December 2019		
Reconciliation of fair value balances - Level 3	**Loan receivables Audited £000**	**Investments Audited £000**	**Contract assets Audited £000**
Balance as at 1 January 2019	89,544	1,949	3,154
New loans / investments advanced during year	59,033	4,777	-
Loan repayments / contract asset receipts	(47,020)	-	(887)
Loan sold to asset management structures	(8,227)	-	-
Contract assets impairment	-	-	(2,095)
Fair value through income statement	10,300	(156)	134
Balance as at 31 December 2019	**103,630**	**6,570**	**306**

3. INCOME

The Group income for the period was derived as follows:

	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000
Fair value (decrease) / income from loan receivables	(3,015)	4,987
Income from contract assets	113	115
Fair value increase / (decrease) on investments	156	(52)
Management Fees	723	220
Other income	-	35
Total Income	**(2,023)**	**5,305**

4. LOSS FOR THE PERIOD

The Group operating loss for the period is stated after charging**:**

	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000
Amortisation of intangible assets	94	93
Depreciation of right-of-use leasehold	156	197
Depreciation of fixtures & fittings	29	27
Exceptional items (note 6)	17,808	312

Exceptional items include £12,394,000 (2019: £nil) related to impairment of intangible assets (see note 9) and £600,000 (2019: £nil) related to impairment of tangible assets (see note 10).

5. OPERATING COSTS

The Group's operating costs are stated after charging:

	Six months ended 30 June 2020		
	Before Exceptional items	**Exceptional items**	**Total**
	Unaudited	**Unaudited**	**Unaudited**
	£000	**£000**	**£000**
Staff costs	2,715	1,293	4,008
Share based payments	65	-	65
Rent, rates and office costs	128	-	128
Marketing	60	-	60
Audit & Accountancy	89	-	89
Legal & Professional Fees	470	3,521	3,991
Depreciation	185	-	185
Amortisation	94	-	94
Impairment of tangible assets	-	600	600
Impairment of intangibles	-	12,394	12,394
Other overheads	454	-	454
	4,260	**17,808**	**22,068**

	Six months ended 30 June 2019		
	Before Exceptional items	**Exceptional items**	**Total**
	Unaudited	**Unaudited**	**Unaudited**
	£000	**£000**	**£000**
Staff costs	3,514	-	3,514
Share based payments	116	-	116
Rent, rates and office costs	163	-	163
Marketing	249	-	249
Audit & Accountancy	72	-	72
Legal & Professional Fees	293	312	605
Depreciation	220	-	220
Amortisation	93	-	93
Other overheads	528	-	528
	5,248	**312**	**5,560**

6. EXCEPTIONAL ITEMS

The following costs were identified as exceptional items during the period:

	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000
Settlement costs related to redundancies	1,293	-
Legal and professional costs related to aborted disposal	3,521	-
Impairment of Intangibles – Goodwill	10,922	-
Impairment of Intangibles – Brand	1,472	-
Impairment of tangible assets	600	-
Bond issue costs	-	312
Exceptional items before taxation	**17,808**	**312**
Taxation impact of exceptional items	-	(59)
Exceptional items after taxation	**17,808**	**253**

During the period, there were significant costs incurred in proposed disposal of Urban Exposure Lendco Limited to HHL. Although this was approved by the shareholders, the Company received a purported notice of termination of the SPA from HHL prior to completion. Exceptional legal and professional costs of £3,521,000 were incurred for this project and a further project to sell the asset manager as a result of the breach of the SPA.

As a result of Covid-19 and following the failure of HHL to complete the proposed transaction, the Group changed its strategy to an orderly wind down of the Group loan portfolio. This led to redundancies at a cost of £1,293,000 to June 2020.

Following the change in strategy, the Group has reviewed the goodwill and the brand and have impaired the value of both to £nil resulting in an exceptional charge for the period of £10,922,000 and £1,472,000 respectively.

Furthermore, the Group has reviewed its requirements for the right-of-use leasehold premises and for office space with significantly reduced number of employees following the redundancies, and has made an impairment of the right-of-use short leasehold asset of £600,000.

For the comparative period to June 2019, costs of £312,000 relating to a cancelled proposed bond issue were expensed as a one-off non-recurring cost.

7. EARNINGS PER SHARE (EPS)

Basic earnings/loss per share (EPS) has been calculated based on the loss for the 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 loss for the period as shown in the Consolidated Statement of Comprehensive Income divided by the weighted average number of Ordinary Shares. Although 3,150,000 (June 2019 - 3,150,000) share options were in issue, as these would have an anti-dilutive effect they have not been included in the calculation of 'Weighted average number of shares for diluted earnings per share'. When a profit is generated, the share options will have a dilutive impact.

	Six months ended 30 June 2020 Unaudited £000	Six months ended 30 June 2019 Unaudited £000
(Loss) for the period	**(23,992)**	**(248)**
(Loss)/ profit for the period excluding adjusting items	**(6,184)**	**5**

	Number of shares	Number of shares
Weighted average number of shares for basic EPS	158,494,130	158,494,130
Dilutive effect of share options	-	-
Weighted average number of shares for diluted EPS	**158,494,130**	**158,494,130**

	Six months ended 30 June 2020 Unaudited Pence	Six months ended 30 June 2019 Unaudited Pence
Basic (loss) per share	**(15.14p)**	**(0.16p)**
Diluted (loss) per share	**(15.14p)**	**(0.16p)**
Adjusted basic (loss) / profit per share	**(3.90p)**	**0.003p**
Adjusted diluted (loss) / profit per share	**(3.90p)**	**0.003p**

8. DIVIDENDS

	Six months ended 30 June 2020 £000	Six months ended 30 June 2019 £000
Final dividend for the year ended 31 December 2019 / Period ended 31 December 2018	**-**	**2,647**

The Board did not propose the payment of a final dividend for the year ended 31 December 2019.

For the period ended 31 December 2018, a final dividend of 1.67p per share (£2,647,000) was proposed as payable to all shareholders on the Register of Members on 12 April 2019, approved at the Annual General Meeting of 2 May 2019 and paid 7 May 2019.

9. INTANGIBLE ASSETS

	Six months ended 30 June 2020		
	Goodwill	Brand	Total
	Unaudited	Unaudited	Unaudited
	£000	£000	£000
Cost			
As at 1 January 2020	10,922	1,874	12,796
Acquired during the period	-	-	-
Cost as at 30 June 2020	**10,922**	**1,874**	**12,796**
Amortisation			
As at 1 January 2020	-	308	308
Amortisation for the period	-	94	94
Impairment in the period	10,922	1,472	12,394
Amortisation as at 30 June 2020	**10,922**	**1,874**	**12,796**
Net Book value as at 30 June 2020	**-**	**-**	**-**

	Six –months ended 30 June 2019		
	Goodwill	Brand	Total
	Unaudited	Unaudited	Unaudited
	£000	£000	£000
Cost			
As at 1 January 2019	10,922	1,874	12,796
Acquired during the period	-	-	-
Cost as at 30 June 2019	**10,922**	**1,874**	**12,796**
Amortisation			
As at 1 January 2019	-	122	122
Amortisation for the period	-	92	92
Amortisation as at 30 June 2019	**-**	**214**	**214**
Net Book value as at 30 June 2019	**10,922**	**1,660**	**12,582**

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

As a result of Covid-19 and, following the failure of HHL to complete the proposed transaction and the resultant change in strategy, the Group reviewed the goodwill and the brand asset and have revalued both to £nil resulting in an impairment charge of £10,922,000 and £1,472,000 respectively, for the period ended 30 June 2020.

10.TANGIBLE ASSETS

	Six –months ended 30 June 2020			
	Right of use short Leasehold Unaudited £000	Furniture, fixtures & fittings Unaudited £000	Computer Equipment Unaudited £000	TOTAL Unaudited £000
Cost				
As at 1 January 2020	3,610	492	42	4,144
Acquired during the period	-	-	7	7
Remeasure of leasehold assets	(1,691)	-	-	(1,691)
Cost as at 30 June 2020	1,919	492	49	2,460
Depreciation				
As at 1 January 2020	386	49	7	442
Charge for the period	156	24	5	185
Impairment in the period	600	-	-	600
Depreciation as at 30 June 2020	1,142	73	12	1,227
Net Book value as at 30 June 2020	**777**	**419**	**37**	**1,233**

	Six –months ended 30 June 2019			
	Right of use short Leasehold Unaudited £000	Furniture, fixtures & fittings Unaudited £000	Computer Equipment Unaudited £000	TOTAL Unaudited £000
Cost				
As at 1 January 2019	3,839	418	19	4,276
Acquired during the period	22	74	14	110
Remeasure of leasehold assets	-	-		-
Cost as at 30 June 2019	3,861	492	33	4,386
Depreciation				
As at 1 January 2019	-	-	-	-
Charge for the period	193	24	3	220
Depreciation as at 30 June 2019	193	24	3	220
Net Book value as at 30 June 2019	**3,668**	**468**	**30**	**4,166**

10. TANGIBLE ASSETS (continued)

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

In the period ended 30 June 2020 and following the change in strategy to wind down the loan book, the Group revalued the right-of-use short leasehold asset as it will be exercising the break clause at the end of five years rather than the original ten year period.

As the Group's requirement for the leasehold premises is unlikely to be required for the full length of the remaining leasehold period, the Group has also impaired the asset by a further £600,000 within the period.

11. INVESTMENTS

Valuation	Six months ended 30 June 2020 Unaudited £000
As at 1 January 2020	6,570
Investment in the period	410
Fair value adjustment during the period	156
Valuation as at 30 June 2020	**7,136**

Valuation	Six –months ended 30 June 2019 Unaudited £000
As at t 1 January 2019	1,949
Investment in the period	2,519
Fair value adjustment during the period	(52)
Valuation as at 30 June 2019	**4,416**

Valuation	Year ended 31 December 2019 Audited £000
As at 1 January 2019	1,949
Investment in the year	4,777
Fair value adjustment during the year	(156)
Valuation as at 31 December 2019	**6,570**

The Group entered into a partnership agreement with Kohlberg Kravis Roberts (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 mix 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 Group has invested £7.1m to date (June 2019 £4.5m, December 2019 £6.7m).

Due to the change in strategy, the partnership is committed to funding existing loan arrangements but there will be no further new development loans to be funded by this arrangement. The maximum commitment of both parties to the loans is thereby limited to £71.3m (KKR) and £7.1m (Urban Exposure plc).

The investments are classified as a trade investment and accordingly, they are financial assets measured at FVTPL. See note 2 for further disclosures.

12. LOAN RECEIVABLES

	As at 30 June 2020 Unaudited £000	As at 30 June 2019 Unaudited £000	As at 31 December 2019 Audited £000
Loan receivables	**98,058**	**83,617**	**103,630**

See note 2 for further disclosures relating to financial assets.

13. CASH AND CASH EQUIVALENTS

	As at 30 June 2020 Unaudited Audited	As at 30 June 2019 Unaudited Audited	As at 31 December 2019 Audited Audited
Cash and cash equivalents - unrestricted	18,659	46,365	22,787

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.

14. SHARE CAPITAL

Share capital for the period has been issued as follows:

		Value per share	Ordinary Shares	Deferred Shares	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	Number	£	£000	£000	£000
Balance as at 1 January 2019	169,950,000	0.01	1,650	50	1,700
Movement to 30 June 2019	-		-	-	-
Balance as at 30 June 2019	169,950,000	0.01	1,650	50	1,700
Movement to 31 December 2019	-		-	-	-
Balance as at 31 December 2019	169,950,000	0.01	1,650	50	1,700
Movement to 30 June 2020	-		-	-	-
Balance as at 30 June 2020	169,950,000	0.01	1,650	50	1,700

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

	Ordinary Shares	Deferred Shares	Treasury Shares	Total
	Unaudited	Unaudited	Unaudited	Unaudited
	Number	Number	Number	Number
Balance as at 1 January 2019	158,494,130	4,950,000	6,505,870	169,950,000
Movement to 30 June 2019	-	-	-	-
Balance as at 30 June 2019	158,494,130	4,950,000	6,505,870	169,950,000
Movement to 31 December 2019	-	-	-	-
Balance as at 31 December 2019	158,494,130	4,950,000	6,505,870	169,950,000
Movement to 30 June 2020	-	-	-	-
Balance as at 30 June 2020	158,494,130	4,950,000	6,505,870	169,950,000

There was no movement in the number of shares issued in the six-month period ended 30 June 2020.

15. RELATED PARTY TRANSACTIONS

During the period, the Group companies entered the following transactions with related parties which are not members of the Group as detailed below:

	Six months ended 30 June 2020	As at 30 June 2020	
	Operating costs recharges	Amounts due from related parties	Amounts due to related parties
	Unaudited £000	Unaudited £000	Unaudited £000
UE Finco Limited	-	-	-
Urban Exposure Limited	19	-	14
Urban Exposure Investment Management LLP	-	-	-
Urban Exposure Philanthropy Limited	-	907	-
	19	**907**	**14**

	Six months ended 30 June 2019	As at 30 June 2019	
	Operating costs recharges	Amounts due from related parties	Amounts due to related parties
	Unaudited £000	Unaudited £000	Unaudited £000
UE Finco Limited	32	-	32
Urban Exposure Limited	14	-	14
Urban Exposure Investment Management LLP	63	-	63
Urban Exposure Philanthropy Limited	-	5	-
	109	**5**	**109**

	Year ended 31 December 2020	As at 31 December 2019	
	Operating costs recharges	Amounts due from related parties	Amounts due to related parties
	Audited £000	Audited £000	Audited £000
UE Finco Limited	27	-	8
Urban Exposure Limited	343	-	37
Urban Exposure Investment Management LLP	-	-	-
Urban Exposure Philanthropy Limited	-	707	-
	370	**707**	**45**

Operating costs were paid on behalf of Urban Exposure Group and re-charged at cost by the above related companies.

No dividends were paid to related parties in the period. For the half year to 30 June 2019, dividends of £73,000 and £147,000 were paid to the Directors and key managers of Urban Exposure Plc in respect of the interim dividend and final dividend for the period ended 31 December 2018 in January 2019 and May 2019 respectively. For the year ended 31 December 2019, dividends of £302,000 were paid to the Directors and key managers of Urban Exposure Plc in respect of the final dividend for the period ended 31 December 2018 and the interim dividend for the year ended 31 December 2019.

15. RELATED PARTY TRANSACTIONS (continued)

On 16 January 2020, a further £200,000 was advanced to Urban Exposure Philanthropy Limited ("UEP"), a related party, leaving a balance of £907,000 as at 30 June 2020 (June 2019: £5,000, December 2019: £707,000). 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 has been 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 was 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.

16. FINANCIAL COMMITMENTS

As at 30 June 2020, the Group had £165.5m (June 2019 £220.8m, December 2019 £421.0m) of undrawn committed loan capital payable over the next four years. Since June 2020, these commitments have reduced by a further £133.5m in respect of loans sold or redeemed early.

The Group entered into a partnership agreement with KKR with a commitment of up to £15.0 million and has made payments of £7.1m (June 2019 £4.5m, December 2019 £6.7m) under this agreement with an outstanding financial commitment relating to the agreement of £7.9m (June 2019 £10.5m, December 2019 £8.3m).

Due to the change in strategy, there will be no further new development loans to be funded by this arrangement. The maximum commitment of both parties is thereby limited to £71.3m (KKR) and £7.1m (Urban Exposure plc).

17. POST BALANCE SHEET EVENTS

The Group had no significant post balance sheet events requiring adjustment or disclosure.

URBAN
exposure