Chairman's introduction to governance

Integrity and transparency

With robust infrastructure and governance in place, the Group has the ability to capitalise on the opportunities that arise to achieve sustained growth in the future.

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. I am pleased that the skill-set of our Executive and Non-Executive Directors is complementary to these aims and their capabilities are 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 through the implementation of internal audits. The internal control framework is important to support a growing business and is a key focus for 2019.

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 pages 25 to 28.

Culture

The Board seeks to ensure its leadership is accountable and that members demonstrate integrity and transparency in their leadership. The Group is, by its nature, entrepreneurial and unconstrained in its thinking; it has a high performance culture with a focus on learning and growth – traits that have delivered success thus far and provide a springboard for future achievements.

The Group aims to be supportive for staff and compliant with applicable regulations. The Group undertakes regular staff reviews in each quarter of the year. Feedback is acted upon and suggestions for improvement are shared within the Group in our regular business updates through team meetings, committees, and whole company strategy days. We are looking to make more formalised feedback mechanisms within the business through staff surveys with the aspiration of creating a positive feedback loop that drives even better results and enhances our working environment.

William McKee, CBE
Chairman

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

Whetstone, London N20

Senior debt facility to fund the purchase and development of a site with planning permission for residential accommodation in north London. The site address is 1418-1420 High Road, Whetstone. It is within walking distance of Totteridge & Whetstone underground station on the High Barnet branch of the Northern Line. Oakleigh Park overground station is also close by, providing direct links to Moorgate with a journey time of 30 minutes. Both stations are located in Zone 4. The proposed scheme is a mixed-use development with 22 new-build apartments on the first to fifth floors, and two retail units on the ground floor. The development will also benefit from a double basement car park for residents and retail staff.

Yogo Group is a renowned, multi-award winning property developer in north London. For over 18 years, and as a family run business, it has been designing, building and renovating some of the most glamorous and individual homes, with in-house architects, interior designers and project managers all working together to produce homes to an exacting standard.

GDV: £21.8m

Our board members

At the date of this report, the Board was comprised of three executive directors: Randeesh Sandhu, Rabinder Takhar and Trevor DaCosta; 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 page 45. The Directors who served during the period from Admission to 31 December 2018 are shown here.

Randeesh Sandhu
Chief Executive Officer

Randeesh co-founded the Urban Exposure business in 2002 when it was originally a property development company and has overseen its evolution into today's development financing and asset management business. He is experienced in the origination, evaluation and structuring of real estate investments in senior and stretched senior whole loans, mezzanine debt and equity joint ventures. Prior to founding Urban Exposure, Randeesh was a credit risk analyst at Deutsche Bank and a market risk analyst at Royal & Sun Alliance Investments. He is a qualified actuary, a published author and a regular speaker/panellist at specialist industry conferences. Randeesh chairs the Executive Committee.

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 Tilfen Land Limited, Chairman of Thurrock Thames Gateway Development Corporation, and Chair of the Mayor of London's Outer London Commission. He is a director of Newcourt Residential Limited and a board member of the Mayor of London's Old Oak & Park Royal Development Corporation. William also acts as a member of a number of advisory committees including BPF Planning Committee, London First Retail Group 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.

Rabinder Takhar
Chief Risk Officer

Ravi 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 businesses and, since 2002, has been the CEO of AIM-quoted Orchard Funding Group Plc, which specialises in insurance premium finance and the professional fee funding market. Ravi is also an independent non-executive director of Honeycomb Investment Trust Plc, which specialises in the acquisition of loans made to consumers and small businesses as well as other counterparties and is listed on the Specialist Fund Segment of the Main Market of the London Stock Exchange. 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. Ravi qualified as a lawyer at Clifford Chance and, specialising in property finance, helped to secure the first mortgage-backed securitisations in the UK. He has an MA from the University of Oxford.

Trevor DaCosta
Finance Director

Trevor is responsible for the day to day management of the finance function, with specific responsibility for reporting performance to the shareholders, financial planning and analysis, and statutory and management reporting. He has over 17 years' experience in the property sector. Prior to joining Urban Exposure in 2017, Trevor was senior director, Head of FP&A (Europe) for Tishman Speyer Properties Limited, a privately owned global property investment and development business. He was previously Finance Manager at Telereal Trillium (commercial property management and investment) and Financial Controller at BT Group PLC's property division. Trevor is a Fellow of the Chartered Institute of Management Accountants (FCMA).

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 Group 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 Group 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, a governor of Walthamstow Hall School 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 six occasions in the Period ending 31 December 2018 and all six directors attended each meeting. The Audit Committee met twice in the same Period and all members attended both meetings. The Remuneration Committee met once in the Period and all members attended.

The minutes of committee meetings are produced as soon as possible after the meetings and are circulated to all committee members for comment prior to being signed by the committee Chairman. Once approved, the minutes of each meeting are circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee Chairman.

Audit Committee

The Audit Committee is scheduled to meet at least twice a year and has been chaired throughout the Period by Andrew Baddeley; its membership comprises all non-executive directors. The Chief Executive Officer, Finance Director and Chief Operating Officer are normally invited to attend 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 and has been chaired throughout the Period 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 executive director/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 CEO 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.

Relations and communications with shareholders

The Company both encourages and welcomes dialogue with its institutional shareholders in order that the Group can assess the views and requirements of those shareholders. The Chief Executive Officer met with major shareholders during the period following the IPO and will meet major shareholders following the announcement of both the results to 31 December 2018 and interim results for the six months ending 30 June 2019, 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.

LGL Secretaries Ltd
Company Secretary
2 April 2019

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 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.

Bethnal Green, London E2

Senior debt facility to fund development. The site is located in Bethnal Green, East London and lies adjacent to the Regent's Canal. The completed development will provide 56 residential units in total, with 50 private apartments, three private cottages and three affordable units. There will also be three commercial units.

Aitch Group is a highly experienced and well-regarded developer, specialising in residential property development projects in London and the south east, having completed hundreds of mixed use, residential and commercial projects. It operates an integrated business model, from land and planning to construction, property management and marketing.

GDV: £40.4m

Review and challenge

The Audit Committee meets at least twice a year and has been chaired throughout the Period by Andrew Baddeley; its membership as at 31 December 2018, 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 Period

During the Period from incorporation to 31 December 2018, the committee met on two occasions and among other matters:

- reviewed the appropriateness of the accounting policies used in preparing the Group's financial statements;
- reviewed and approved the unaudited interim financial statements for the Period from incorporation to 30 September 2018;
- considered the external auditor's report on its review of the unaudited interim financial statements for the Period from incorporation to 30 September 2018; and
- discussed with the external auditor the audit plan for the Period from Admission to 31 December 2018, with acquisition accounting, the treatment of the partnership agreement with KKR, accounting for loan receivables, share-based payments, and management override of controls being identified as significant risk areas.

Significant accounting matters

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

Acquisition accounting

The committee considered the asset management business comprising the employees, systems and client contacts, together with existing receivables purchased at the IPO. The committee determined that this should be accounted for as a business combination under IFRS and that the amounts receivable for performance should be valued as a contract asset under IFRS 15, and for loan financing accounted for under IFRS 9.

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 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 value of the loans, and the basis of recognising earnings from the portfolio. The committee concluded that the loans should 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, given the entrepreneurial nature of the Group's business. 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.

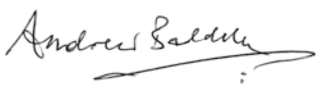
External auditor

BDO LLP has provided audit services to the Group since its appointment in May 2018 following the Initial Public Offer. The committee is satisfied with the performance of the auditor and considers it appropriate to recommend to the Board and shareholders that BDO LLP be reappointed as auditor at the forthcoming AGM.

Prior to the Company's admission to AIM, the Company awarded a number of non-audit assignments to BDO LLP, such as corporate and 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 Company'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 £20,000.

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
2 April 2019

Aligning performance incentives and reward

The Remuneration Committee meets at least once a year and has been chaired since Admission by Nigel Greenaway; its membership as at 31 December 2018, 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 CEO, determines the specific remuneration packages for each of the executive directors and 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 Company 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.

However, the Remuneration Committee considers that the contents of this report provide an appropriate level of disclosure to shareholders in light of the relatively short period of time since the Company listed on AIM and the continuing development of the Company's remuneration policy since that listing. The Remuneration Committee aims to meet more fully the expectations and recommendations of the Code and associated Guidance in future years.

Activities during the period

The committee met once during, and again shortly after the end of, the Period. At these meetings, the committee considered the planned salary reviews, the level of discretionary bonus awards and their partial deferral into shares, and the LTIP awards and performance metrics.

Remuneration principles and 2018 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 2018
Salary	Annual salary is targeted to be competitive in the sector and allow the Company 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 Period, the Committee sought advice on remuneration levels for executive directors and other employees, and reviewed salary levels in the context of market competitors and the status of the business as an AIM-listed company.
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. Part of the bonus is 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, the 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. Details of the resulting bonus pay-outs, as determined by the committee, are provided on page 43. In each case, a portion of the bonus is deferred into shares, or deferred for periods that align with income recognition.
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 given the opportunity to acquire shares in an intermediate holding company and/or are granted options over Ordinary Shares in the Group. The shares in the intermediate holding company may be exchanged for Ordinary Shares in the Group and 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, and may vest in three tranches after one, two and three years, subject to satisfaction of the performance conditions. Further details can be found on the following pages.
Benefits	The Company 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 in to a private health insurance scheme including cover for their dependants, 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, including a car allowance.
Pension	All employees are eligible for pension contributions under the Company-wide pension scheme, in line with government requirements.	Executive directors received pension contributions under the 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 Company's non-executive directors were set on their appointment to the Company at Admission.

Remuneration Committee report continued

Summary of emoluments by individual director (audited)

The emoluments of the directors who served during the Period are set out in the table below. Note that these figures relate only to the Period from Admission to the year end.

	Base salary	Pension benefits	Other benefits	Discretionary bonus – cash	Long-term incentives[1]	Total remuneration 2018
Executive Directors						
Randeesh Sandhu, Chief Executive Officer	274,193	470	12,700	192,500	16,204	486,067
Rabinder Takhar, Chief Risk Officer	96,774	470	0	16,500	8,102	121,846
Trevor DaCosta, Finance Director	80,645	470	2,500	40,000	4,861	128,476
Non-Executive Directors						
William McKee	38,709	–	–	–	–	38,709
Andrew Baddeley	36,878	–	–	–	–	36,878
Nigel Greenaway	36,878	470	–	–	–	37,348
Total	**564,077**	**1,880**	**15,200**	**249,000**	**29,167**	**849,324**

1. IPO LTIP awards vest on the publication of the Company's audited financial accounts. As the share price on this date is not yet known, this value is based on the three-month average share price up to 31 December 2018 of 92.36p. This value will be restated in next year's remuneration report once the final value is known.

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

During the year, the Group provided loans to employees for the payment of taxes relating to the grant of options under the LTIP. For the three executive directors these totalled c.£6,000. The Group has not provided any guarantees for the benefit of any director or the directors collectively, nor does it intend to do so.

Discretionary Bonus Scheme

Bonuses are awarded from a Company-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 2018, the DBS bonus pool was funded by the following three metrics:

1. Fund raising – funds raised during the year;
2. Loan commitment – loans committed during the year; and
3. Projected aggregate income from incremental loans committed during the year.

In order to encourage the staff and directors to build long-term value for the Group, the deferred element of the bonus may be used to purchase shares that will vest on satisfaction of certain conditions including continued employment up to the vesting date. Furthermore, elements of the bonus payments will be deferred to align to actual Group projected aggregate income.

2018 performance and bonus pool generation

Fund raising

During 2018, the Group completed its IPO, transitioning from being a privately-held business to achieving a listing on AIM. This involved a significant amount of work for a small management team working with the Company's advisers. The committee determined that the DBS pool should include an amount of £750,000 to reward those key members of staff (the 'IPO Bonus').

Loan commitments

The Group was extremely successful in meeting demand for its product in its first trading period. Accordingly, the committee set aside a percentage of committed loans for the bonus pool.

Projected aggregate income

As described in the Chief Executive's Review, the Group was able to commit loans with high quality earnings that will develop as the funds are drawn down and the relevant development moves through its construction, marketing and sale process. The committee determined that a percentage of future earnings should be set aside for the bonus pool; however, reflecting the longer timeframe over which these earnings are expected to materialise, this element of the bonus pool will be payable based on recognition of income, and is subject to review should there be any negative adjustment to future income.

2018 awards under the DBS

The Group's remuneration policy provides the committee with flexibility to select appropriate performance ranges in relation to the target awards to ensure the application of the remuneration policy is fair for both individuals and shareholders.

In the months following the IPO, the Group encountered various difficulties that resulted in a significant fall in the share price. Accordingly, the committee determined that payment of the IPO-related element of the bonus should be 100% deferred and should be awarded in shares. The Company will establish an employee benefit trust that will acquire the requisite shares using the funds from the DBS bonus pool. Each employee and director due to receive an allocation of that pool will have an award of shares that will vest when the share price reaches £1.10 (i.e. a 10% premium to the IPO price), provided that occurs before 31 December 2021 and that the recipients remain employed and not under notice to leave the Company on or before that vesting date. If the performance conditions are not satisfied, the award will lapse.

In addition to the IPO Bonus which is subject to deferral conditions as described above, a portion of awards made under the DBS have been deferred into shares, 50% for the CEO and CRO, and for the wider employee group, 20% will be deferred into shares.

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 at the Group during the Period. Whilst all three executive directors were heavily involved in the IPO, the CEO took a clear lead in this work and then was the driver of the creation of the loan book, the achievement of the joint venture with KKR, developing the strategy and responding to the challenges encountered by the Group post-IPO.

	Personal objectives	Performance outcome	Committee decision
Chief Executive Officer	• Delivery of the IPO • Originating and completing a high volume of loan commitments • Securing a number of strong and substantial asset management relationships • Developing the Group's profile within the investor community • Building and developing the executive team	Exceeded	The CEO received an IPO Bonus of £185,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above. The committee determined that the CEO should receive a bonus of £192,500 and a further amount would be deferred into shares.
Chief Risk Officer	• Delivery of the IPO • Developing a risk management framework for the Group • Securing additional funding sources	Exceeded	The CRO received an IPO Bonus of £75,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above. The committee determined that the CRO should receive a bonus of £16,500, and a further amount would be deferred into shares.
Finance Director	• Supporting the CEO and CRO through the IPO • Delivering the transition to listed company reporting • Delivery of the Interim reporting	Met	The FD received an IPO Bonus of £20,000 which is deferred into shares, the vesting of which is subject to a share price condition as described above. The committee determined that the FD should receive a bonus of £40,000, and a further amount would be deferred into shares.

Remuneration Committee report continued

Long-Term Incentive Plan

The LTIP is designed to incentivise employees to build long-term value for the Company and allow them to share in the value created. Shares awards under the LTIP were granted on Admission with one third vesting after the publication of the Company'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 is measured from Admission to 31 December 2018, with tranches two and three measured over the following two financial years.

a) Annualised Total Shareholder Return ('TSR') (target range of 6.25–12.5%);
b) Annualised Return on Equity ('ROE') (target range of 7.5–15%); and
c) Committed loan volumes (target range of £125–250m).

Performance is measured on a straight-line basis between target levels.
The committee assessed performance for the first tranche of these awards in early 2019. The Group achieved one of the three performance criteria, falling short of achieving the targets for TSR and ROE. The Group comfortably exceeded its target of between £125m and £250m for committed loan volumes. Accordingly, one ninth of the total award (one third of the first tranche) will vest on the publication of the Company's audited financial accounts following the end of the performance period.

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	Exercised	Lapsed	Outstanding at 31.12.18	Grant date	Vesting date
Randeesh Sandhu	LTIP (IPO tranche 1)	52,632	–	35,088	17,544	09.05.18	2019(1)
	LTIP (IPO tranche 2)	52,632	–	–	52,632	09.05.18	2020(1)
	LTIP (IPO tranche 3)	52,631	–	–	52,631	09.05.18	2021(1)
		157,895		**35,088**	**122,807**		
Rabinder Takhar	LTIP (IPO tranche 1)	26,316	–	17,544	8,772	09.05.18	2019(1)
	LTIP (IPO tranche 2)	26,316	–	–	26,316	09.05.18	2020(1)
	LTIP (IPO tranche 3)	26,315	–	–	26,315	09.05.18	2021(1)
		78,947		**17,544**	**61,403**		
Trevor DaCosta	LTIP (IPO tranche 1)	15,790	–	10,527	5,263	09.05.18	2019(1)
	LTIP (IPO tranche 2)	15,789	–	–	15,789	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		**10,527**	**86,841**		

1. Awards vest, subject to satisfaction of the performance conditions above, on the publication of the Company'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 Company on or before the vesting date.

The committee intends to make further awards under the LTIP in 2019, the details of which will be disclosed in next year's annual report, along with the DBS deferred share and IPO Bonus awards, which will be made shortly after the Company's AGM.

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 Admission	Acquired during the year	Held at 31.12.2018	Subject to performance	Subject to service only
Randeesh Sandhu	9.4.2018	12 months	3,307,783	–	3,307,783	122,807	–
Rabinder Takhar	30.4.2018	3 months	2,295,000	–	2,295,000	61,403	–
Trevor DaCosta	9.4.2018	12 months	–	–	–	36,841	50,000
William McKie	30.4.2018	3 months	20,000	19,500	39,500	–	–
Andrew Baddeley	30.4.2018	3 months	25,000	25,000	50,000	–	–
Nigel Greenaway	30.4.2018	3 months	25,000	–	25,000	–	–

2019 remuneration policy

For 2019 the committee intends to operate broadly the same remuneration framework as 2018.

The committee carried out a review of the salaries of senior employees in early 2019. The executive directors' salaries will remain the same for 2019. Considering the increased level of responsibility for leadership of an AIM-listed company, a number of senior employees in the wider group had adjustments made to their base salaries, effective 1 January 2019.

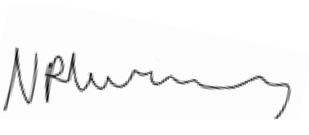
The DBS will operate in a similar manner to 2018, based on stretching financial and non-financial criteria. A portion will be payable after the Company has signed off its financial accounts, with the remainder deferred until the first and second anniversaries of grant. The projected aggregate income target will continue to operate under the same principles of being deferred over a period to reflect when the income is recognised and subject to review should there be any negative adjustment to future income.

The Company will make further LTIP awards to the employee population in 2019. The Committee, with support from its independent advisors, has carried out a review of the performance conditions applying to LTIP awards. From 2019 onwards, awards will vest in a single tranche after three years. This represents a move towards typical market practice and helps align reward more appropriately with the Company's long-term financial goals.

The performance criteria will be:

- Average annual TSR of 6.25% to 12.5%;
- Average annual ROE of 7.5% to 15%; and
- Average annual committed loan volumes of £750m to £1 billion p.a.

Each of these metrics will operate on a straight-line scale in computing the percentage of the LTIP that vests.



Nigel Greenaway
Chairman, Remuneration Committee
2 April 2019

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 company 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 Period. 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company 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 Company 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 Company'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 Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Randeesh Sandhu
Chief Executive Officer
2 April 2019

Directors' report

The directors present their report together with the audited consolidated financial statements for the Period ended 31 December 2018.

Principal activities, review of business and other disclosure

Details of the Group's principal activities and a review of the business are included within the Strategic Report on pages 2 to 32.

Directors

The following directors hold office as at the date of this report:
Randeesh Sandhu, appointed 10.04.18
Trevor DaCosta, appointed 10.04.18
Rabinder Takhar, appointed 30.04.18
William McKee, appointed 30.04.18
Andrew Baddeley, appointed 30.04.18
Nigel Greenaway, appointed 30.04.18

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' indemnities

The Company has arranged qualifying third party indemnity for all of its directors.

Directors' interests

The interests of directors who held office at 31 December 2018 are disclosed in the Remuneration Committee Report on pages 41 to 46.

Dividends

On 21 January 2019, the Company paid a dividend of 0.83p to the holders of its Ordinary Shares. The directors recommend a final dividend of 1.67p.

Share capital

As at 31 December 2018, the issued share capital of the Company was 165,000,000 Ordinary Shares (including 6,505,870 shares held in treasury).

Purchase of own shares

On 14 November 2018, the Company purchased 6,505,870 of its Ordinary £0.01 Shares at 80 pence per share. All shares repurchased are 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 10am on 2 May 2019 at the offices of MHPC, 6 Agar Street, London WC2N 4HN.

Significant agreements

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

Auditor

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

Disclosure of information to the Company'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 Company'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 Company's auditor is aware of that information.

Post-balance sheet events

The Group has no post-balance sheet events requiring disclosure.

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 period.

Future developments

Future developments in the business of the Group are set out in the Strategic Report on pages 2 to 32.

Directors' report continued

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 Group's share price is to deliver strong, consistent performance from the Group'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 Group repurchasing shares. Therefore, subject to the requirements of the AIM Rules, the Companies Act 2006, the Articles of Association and other applicable legislation, the Group 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 Group 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. Annually, the Group passes a resolution granting the directors general authority to purchase in the market up to 14.99% of the shares in issue immediately following Admission 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 renewal of this authority from the shareholders at the Annual General Meeting.

Pursuant to this authority, and subject to the Companies Act 2006 and the discretion of the directors, the Group may purchase shares in the market on an on-going basis with a view to addressing any imbalance between the supply of and demand for shares. Shares purchased by the Group 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

LGL Secretaries Ltd
Company Secretary
2 April 2019

The Annual General Meeting will be held at 10am on 2 May 2019 at the offices of MHPC, 6 Agar Street, London WC2N 4HN.

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 Period from 10 April 2018 to 31 December 2018 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 (IFRS) 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 2018 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS 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 12 months from the date when the financial statements are authorised for issue.

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 Period 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.

Independent auditor's report to the members of Urban Exposure Plc continued

Key audit matter	How the matter was addressed in our audit
Valuation of loans (note 4 and 18) 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 judgment 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. As income principally comprises movements in the fair value of the loan receivables, there is risk that income will also be misstated.	We obtained the loan agreements and credit assessment documentation for each loan advanced. We agreed drawdowns paid prior to the year end to bank statements. We also obtained direct confirmation from borrowers of the loan principal and accrued interest outstanding at 31 December 2018. We discussed the status of each loan with the Urban Exposure credit team, including consideration of any changes in the credit assessment of each borrower. We also reviewed the reasonableness of 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 appropriateness of the held to sell classification and resultant measurement at fair value through profit and loss. We obtained management's fair value calculations and considered the appropriateness of the methodology applied and assumptions used. 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.
De-recognition of loans and investments in related structures (note 4 and 16) 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 Period to 31 December 2018, the Group has entered into a partnership agreement with Kohlberg Kravis Roberts ('KKR') in which the Group has a 9.1% interest, and loans have been transferred into this vehicle. The Group has also syndicated two loans with another lender prior to the year end. There is a risk that the accounting treatment adopted in respect of the transfer or syndication of loans and the classification and measurement of the Group's remaining interests is not appropriate.	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 carrying value of this interest at 31 December 2018. Our audit work included, but was not restricted to, the following: • we inspected the limited partnership agreement which details the rights and responsibilities of each party; • we considered the appropriateness of the methodology and assumptions management applied in valuing the investment at 31 December 2018; • we agreed the valuation inputs to supporting documentation. 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.

Key audit matter	How the matter was addressed in our audit
Acquisition accounting and carrying value of intangible assets including goodwill (notes 14 and 27) As described in note 27, the Group acquired an asset management business which has been accounted for as a business combination under IFRS. There is a risk that judgments made by management in allocating the purchase price of this acquisition to goodwill and acquired assets and liabilities are not appropriate. This includes judgments around the identification of acquired intangible assets, and in the fair valuation of all acquired assets and liabilities, including the use of key assumptions such as growth rates and discount rates. In addition, at each reporting date the Group is required to consider any indication of impairment to the carrying value of its intangible assets and goodwill. The assessment is based on expected future cash flows. There is a risk that management may unduly influence the significant judgments and estimates in respect of the requirement for an impairment provision.	We reviewed the sale and purchase agreements and agreed the terms of those agreements in respect of the consideration, assets acquired and other key terms. We considered and challenged management's allocation of the purchase consideration between goodwill and other identifiable assets and liabilities, agreeing amounts to supporting documentation where appropriate. This included consideration of the appropriateness of the valuation methodologies used by management to value the receivables and brand, and benchmarking key assumptions including applied discount rates against market comparables in respect of the brand, sensitising relevant forecasts and testing the mechanical accuracy of the underlying calculations. We used valuation specialists to assist our work in this area. We also assessed management's period-end impairment review process and performed analysis to challenge management's assumptions. Our audit work included, but was not restricted to, the following: • we reviewed management's assessment of forecasted cash flows and considered the forecasts in the light of results achieved during the period. to 31 December 2018; • we obtained evidence, including market-based evidence, to support the growth and discount rates used by management and assessed those for reasonableness.

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	£125,000
Reporting threshold	£5,000

Materiality

The magnitude of an omission or misstatement that, individually or in 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. 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.

With this being the Group's first audited reporting Period, and it being a short accounting Period, we have used a materiality level based on the results for the Period with consideration of the Group's asset base.

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.

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 judgment was that overall performance materiality for the Group should be 50% of materiality, namely £125,000.

Performance materiality for the Parent Company was also set at 50% of materiality, being £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 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.

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

Independent auditor's report to the members of Urban Exposure Plc continued

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 frameworks 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 managing 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.

We undertook audit procedures to respond to the risk of non-compliance with laws and regulations, focussing on those that could give rise to a material misstatement in the Group and Parent Company financial statements, including, but not limited to, the Companies Act 2006 and the AIM Rules of the London Stock Exchange for companies trading securities on AIM. We made enquiries of management to obtain further understanding of the risks of non-compliance. There are inherent limitations in the audit procedures described above, and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We addressed the risk of management override of internal controls, by undertaking procedures to review journal entries processed during and subsequent to the year end and evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We consider that the audit procedures we planned and performed in accordance with ISAs (UK) have provided us with reasonable assurance that irregularities, including fraud, would have been detected to the extent that they could have resulted in material misstatements in the financial statements. Our audit was not designed to identify misstatements or other irregularities that would not be considered to be material to the financial statements.

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 Period 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 47, 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 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.

Geraint Jones (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
2 April 2019

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