Introduction

An ethos of collaboration

"We have been particularly impressed with Urban Exposure's approach to meeting our funding requirements and look forward to their continued support as we launch further developments in the future."

Jonathan Morgan
Director of Investment & Developments,
Galliard Homes

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Urban Exposure Plc ('the Company') and its subsidiaries (together 'the Group', 'Urban Exposure' or 'we') announces its audited Group financial results for the period from 10 April 2018 (the date of incorporation) to 31 December 2018 ('the Period'), following its admission to AIM on 9 May 2018 ('IPO' or 'Admission'). These results are being published in accordance with AIM Rule 19.

Fulfilling the UK's housing needs

Our core business is managing third-party capital which is deployed in the form of debt finance to small and medium-sized residential developers. We provide competitive, flexible finance terms to enable these developers to build mainstream housing in major towns and cities across the UK. We are particularly focused on financing under-supplied segments of the market, such as housing that's affordable for people on the lower rungs of the property ladder.

To service our borrower clients, we are expanding and developing our asset management activities to increase the funds available for deployment to this sector, thereby building market share, revenue growth, profitability and long-term shareholder value.

Business highlights

- Funding of **£525 million** was committed across 16 loans during the eight-month Period.
- On 27 July 2018, the Group announced that it had closed its first managed account, a partnership agreement with Kohlberg Kravis Roberts (KKR) with exclusivity, and with a value of **£165 million** (of which the Group has committed to invest up to £15 million).
- On 24 December 2018, the Group announced that it had closed its first discretionary senior secure debt facility with UBS into the KKR partnership with a value of up to £165 million, increasing the lending capacity of the partnership to **£330 million**.
- Overall third-party Assets Under Management (AUM) raised for the first eight months of operation totalled **£371 million** (excluding IPO proceeds).

• New committed loans:	**£525m**
• Deployed by the Group:	**£93m**
• Projected aggregate income (on loan book over life of loans):	**£69m**
• Projected aggregate income (the Group share, on loan book over life of loans):	**£27m**
• Guaranteed minimum income (on loan book over life of loans):	**£43m**
• Guaranteed minimum income (the Group share, on loan book over life of loans):	**£15m**
• Weighted average LTGDV:	**67%**
• Weighted average loan term:	**34 months**
• Weighted average IRR (unlevered):	**10%**
• Weighted average money multiple (annualised and unlevered):	**1.15x**

Birmingham, B15

Senior debt facility to fund development. St Martin's Place will be one of Birmingham's most exclusive luxury residential developments, located in one of the city's most sought-after postcodes, minutes from the main business and professional district. The development comprises 228 apartments, as follows: 88 x 1-bedroom, 29 x 2-bedroom, 97 x 3-bedroom, 13 x 4-bedroom, 1 x 6-bedroom.

SevenCapital is one of the largest privately owned real estate investment and development companies in the UK, and the largest residential developer in Birmingham. The lead contractor, Colmore Tang, is an award-winning firm.

GDV: £66.7m

Financial highlights

- The operating loss before exceptional items for the Period was £1.1 million and the total loss for the Period was £1.7 million, including exceptional costs of £0.9 million and share-based expenses of £0.5 million:
  - revenue of £3.9 million.
  - operating costs before exceptional items were £5 million, representing 0.81% of total committed loans.
- Final proposed dividend of 1.67 pence per share (interim dividend of 0.83 pence per share).

• Income:	**£3.9m**
• Basic loss per share:	**(1.18)p**
• Basic loss per share adjusted for exceptional costs:	**(0.58)p**
• Dividend per share:	**2.5p**
• Net asset value:	**£151m**
• Net asset value per share:	**95p**

"Overall third-party Assets Under Management (AUM) raised for the first eight months of operation totalled £371 million."

A unique set of resources

What we do

Our business model seeks to utilise our unique set of resources to provide an essential service to a wide range of stakeholders and to deliver long-term sustainable value.

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

How we transact

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

Our asset management strategy follows two routes:

i) syndicating loans alongside other lenders; and

ii) holding loans within managed accounts and co-mingled funds on behalf of institutional investors.

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

Warehousing

Urban Exposure originates, underwrites and executes the transaction as principal, utilising its own balance sheet for funding.

Revenue streams
Paid by borrower: debt interest; arrangement fee; exit fee

Migration to asset management

Urban Exposure liaises with its institutional funding partners in order to place the deal within an appropriate asset management strategy, retaining a proportion of the loan.

Syndicated

(Single borrower, multiple institutions)
UE co-investment: up to 10%

Revenue streams
Paid by borrower (pari passu based on level of co-investment): debt interest

Paid by partner: origination fee; management fee; performance fee

Managed

(Multiple borrowers, single institution)
UE co-investment: up to 10%

Revenue streams
Paid by borrower (pari passu based on level of co-investment): debt interest

Paid by partner: management fee; performance fee

Co-mingled

(Multiple borrowers, multiple institutions)
UE co-investment: up to 10%

Revenue streams
Paid by borrower (pari passu based on level of co-investment): debt interest

Paid by partner: management fee; performance fee

What makes us relevant

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

- **Too few homes are being built** – a recent projection by the government states that approximately 300,000 new homes need to be built in England every year for the next decade in order to keep pace with rising demand and population growth; and
- **A lack of availability of development finance** – SME housebuilders' demands for finance outstrip supply due to the dramatic reduction in traditional bank lending to the residential development sector, largely due to regulatory reform.

Our purpose is to provide a crucial source of finance for residential property developers while simultaneously providing strong risk-adjusted returns to our asset management clients.

Our resources

- **Management** – the management consists of an award-winning team of residential development finance specialists operating within the sector for over 16 years.
- **Relationships** – the management team has relationships with over 300 high quality developers throughout the UK, each with a minimum of 10 years' experience.
- **Access to capital** – sources of funding are key to our success and range from traditional banks to private equity and other alternative credit lenders.
- **People** – our employees are highly skilled and respected industry figures in their relevant fields.
- **Technical expertise** – the Group has excellent underwriting processes as well as advanced risk management procedures.

The value we create

Our Borrowers

We provide our borrowers with speed of execution, flexibility and competitive pricing, underpinned by our niche sectoral experience.

Our Capital Providers

We originate, structure and negotiate, conduct due diligence on, and manage loans from inception to term on behalf of our capital providers, giving them excellent risk-adjusted returns.

Our Suppliers

We view our outsourced providers, who facilitate operational capacity whilst enhancing our commercial structuring and risk mitigation capabilities at a macro-economic, micro and project-specific level, as an integral part of our operations.

Our Shareholders

We aim to create long-term shareholder value across the market cycle.

Our Staff

We aim to provide an environment that allows our staff to achieve their full potential.

Our Community

We are proud to support a number of charitable causes, with the central theme of educating under-privileged children.

Greenwich, London SE10

Senior debt facility to fund development. The site is located in East Greenwich, a residential area in close proximity to central London and Canary Wharf. Redevelopment in the past 10 years has transformed much of the former surrounding industrial area around Greenwich Peninsula. Greenwich Square is a landmark residential-led scheme developed by Mace and strategic partners. Phase I of the development, funded by Urban Exposure, completed in October 2016 and delivered 361 new homes, a leisure centre, a public library, a GP surgery and new retail space, and was sold entirely off plan. Phase 2 comprises 239 private apartments built around a central landscaped courtyard, of which 86 are affordable units.

Mace was established in 1900 and is now a world-renowned construction and development group. It is the lead contractor on some of the most important and iconic building and infrastructure projects worldwide.

GDV: £133.1m

Market review

A sizeable market opportunity

We operate in the UK's non-bank lending sector, an under-supplied sub-segment of the market with significant unmet demand.

The market opportunity

The size of the market opportunity for the Group is based on two fundamental aspects:

1. **Too few homes being built:**
   Data from the Ministry of Housing, Communities & Local Government (formerly the Department for Communities & Local Government) on homes built from 2004 to 2016, identified a housing supply 'hole' of 1.4 million homes that were not built during this period.

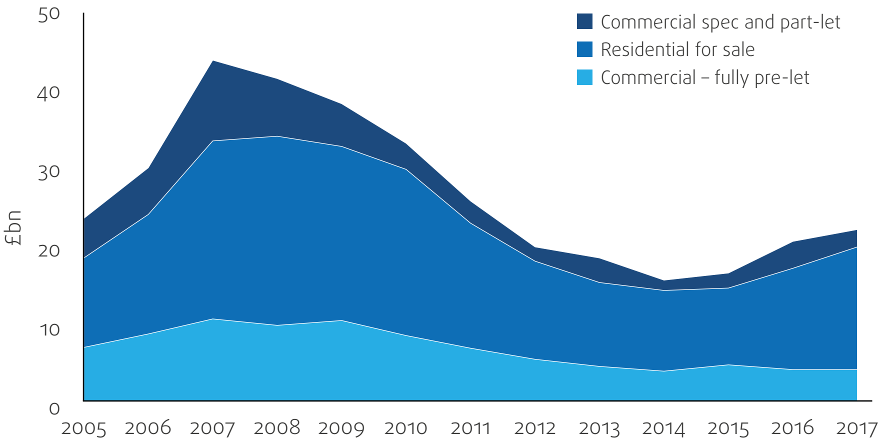
   The recent projection by the Ministry is that approximately 300,000 new homes need to be built in England per annum going forward to keep up with rising demand. This compares to the reality that only 163,250 houses were completed across England in 2017, and 163,420 to Q3 2018.

2. **A shortage of development finance:**
   Lack of availability of finance during the global financial crisis had a detrimental impact on the development finance market. Research indicates that debt outstanding and secured by residential development projects for sale has steadily declined by approximately 35% from a peak of £23.9 billion in 2008 to approximately £15.5 billion by the year end 2017.[1]

Traditional banks are constrained by regulation which has made development finance provision a less attractive activity. This includes additional Tier 1 capital requirements, conduct requirements applicable to senior directors and officers of the bank, single counterparty exposure limits, large loan constraints and higher provisioning requirements under IFRS 9.

This has meant that the financing requirements of SME housebuilders, in particular, considerably exceed the funding available in the market. Utilising government and Nationwide Building Society data, and based on the annual target for new homes, the Group estimates that there is a lending opportunity of £394 billion over the next decade across the UK. Of this, the 'funding gap' (relating to projected housing build shortfall) equates to £237 billion of development finance opportunities.

Allocation of Development Finance
(Banks, Building Societies and Insurance)[1]



1 Source: De Montfort University: Commercial Real Estate Lending Survey, Year End 2017.

Luton, Bedfordshire

Senior debt facility to fund the refinancing and development of a high profile freehold site known as 'Napier Gateway'. The 6.9 acre site is located near Luton airport and approximately one mile from the town centre. The development comprises 785 residential units, retail and leisure, a 209-bedroom hotel, a medical wellbeing centre, together with landscaping, car parking, new access and associated works.

Strawberry Star Group, established in 2007, is an international property company specialising in capital, acquisitions, development, sales, lettings, management and asset management of London property to local and international investors. It has completed a number of large mixed-use developments in London.

GDV: £124.4m

Government support

Housing is a key domestic priority for the government, with initiatives totalling some £21 billion (including the Home Building Fund, the Housing Infrastructure Fund, the Housing Growth Partnership and the Help to Buy scheme). The current government's priorities to increase housing supply are set out in the Housing White Paper, including the following which align with our business model:

- to promote SMEs over large housebuilders;
- to prioritise housing priced at a level that local residents, especially first-time buyers, can afford;
- to identify appropriate sites for development (including government land) with the right tenure mix;
- to utilise more efficient methods of construction (e.g. modular); and
- to promote higher densities in urban locations.

	Housing build number	Average housing price £[1]	Value £bn	Implied development finance @55% LTV £bn	Total development finance market over the next 10 years £bn
Average housing build figure (2008–2017)[2]	119,937	238,963	28.7	15.8	157.6
Housing shortfall to 300,000[3]	180,063	238,963	43.0	23.7	236.7
			71.7	**39.5**	**394.3**

Sources:
Data from the Ministry of Housing, Communities & Local Government (formerly the Department for Communities & Local Government); the Nationwide Building Society and government Budget announcement.

Note:
1 Average house price in England (2015-2017), per Nationwide HPI data, was £202,536. Current average is £238,963 per Nationwide Building Society HPI data (Q4 2018).
2 Private enterprise new build only.
3 Chancellor of the Exchequer, Philip Hammond, announced in his Autumn Budget 2017 the government's ambition "to put England on track to deliver 300,000 new homes a year".

Market review continued

Barriers to entry

The Group benefits from a number of barriers to entry that our sector exhibits, which make us well-placed to take advantage of the market opportunity. These include:

1. **Track record with borrowers** – it takes many years to build a reputation in the industry and a relationship of trust with quality borrowers who thoroughly vet a lender's experience and prior performance. The management team has an established track record.
2. **Track record with capital providers** – in order to attract capital, providers want to see a demonstrable track record of providing compelling returns, whilst also meeting their strenuous processes and reporting standards.
3. **Quantum of capital** – substantial capital is required to compete effectively, and new entrants would have difficulty raising substantial sums with no track record in the industry. The Group has successfully developed a number of relationships with capital providers.
4. **Cost of capital** – in order to lend profitably to experienced developers, a lender's capital must be priced efficiently or they will be unable to attract quality borrowers and maintain credit quality. The Group has negotiated advantageous terms with its capital providers to enable it to lend to these more experienced developers.
5. **Intensive management** – development finance requires intensive ongoing management compared to other real estate asset classes which new entrants may not have the operational capability to conduct.
6. **Technical expertise** – it takes time to recruit and build a technically competent team. The Group has an established team and also has a background itself as developers prior to being lenders.

"Development finance requires intensive ongoing management compared to other real estate asset classes which new entrants may not have the operational capability to conduct."

Birmingham, B2

Senior debt facility to fund development. Timber Yard, located in Birmingham's city centre Southside district, is a mixed-use scheme. Planning permission is in place for 379 residential units and 6,257 sq ft of commercial space at ground floor level on a 1.58-acre site. The development, designed by Claridge Architects, will comprise two residential buildings and will exhibit signature designs providing premier specifications. The East Block, the first release, will feature 219 studio, 1, 2 and 3-bedroom apartments. The West Block will feature 160 studio, 1 and 2-bedroom apartments.

Galliard is a highly regarded, award-winning UK housebuilder of significant standing.

GDV: £101.3m

The housing market

Nationally, house price inflation slowed steadily during the course of 2018, in line with the previous year. Across all regions, house price inflation was running at 2–3% towards the end of 2018, lower than the post-recession average of 4% per annum, and lower than the growth rate of average earnings. In London, house prices generally drifted lower in the second half of 2018 following a prolonged period where house price growth had significantly surpassed earnings growth. Outside London and the south east, house prices rose steadily during the reporting Period.

"...real income growth will support housing market activity, and economic growth more generally."

Supported by robust employment growth, rising wages and low borrowing costs, the number of first-time buyers rose back to pre-recession levels during the Period. Reflecting a combination of factors, home mover activity levels remained well below normal. Following a lengthy period of strong growth, buy-to-let mortgage lending growth continued to soften during 2018. Overall, the number of housing transactions was close to 100,000 a month throughout 2018, as it has been since the Brexit referendum. Housebuilding continued to strengthen during the Period but remained below pre-recession levels.

Notwithstanding the uncertainties associated with the UK's exit path from the European Union, the outlook for housing market activity over the medium term remains generally favourable. As mortgage interest rates have remained low and wage growth has risen above house price inflation, housing affordability has improved. High levels of job vacancies point to sustained employment growth during 2019 and, as wage growth continues to drift upwards and inflation in the wider economy remains close to the government's 2% target, real wages can be expected to strengthen further. With borrowing costs likely to remain at historically low levels, and the supply of high loan-to-value mortgage lending showing increasing signs of returning to more normal levels, real income growth will support housing market activity, and economic growth more generally.

Rising levels of housing demand will support housebuilding over the medium term, boosting the supply of housing accordingly. The well-documented shortage of new housing in the UK provides a compelling opportunity for our developer customers to increase output. However, difficulties in the debt markets during the global financial crisis had a detrimental impact on the development finance market. Debt outstanding and secured by residential development projects for sale has steadily declined by approximately 35% from its peak, creating an opportunity for non-bank providers to enter the space.

The capital markets

Against this backdrop, the outlook for our asset management operation is also positive. Capital inflows to the sector are strong. Investors have consistently increased their exposure to the UK residential sector (including for development) over the five years since 2013.

IPF's Research Programme survey in December 2018 revealed that its participants have consistently increased their exposure to the UK residential sector (including for development) since 2013, totalling £16.6 billion (£4.9 billion in relation to development over this period) and had a continued intention to increase investment in the sector.

The report by IPF went further, stating "A total net figure of £8.3 billion is reserved for future residential investment, the majority of which is expected to be channelled through development land for investment stock (£4.7 billion)...". This was an uplift from the previous year's survey.

Market outlook

Heading into 2019, a potential headwind is Brexit. There is still no clarity as to the nature of the UK's ongoing relationship with the rest of the EU. Hence, the key mitigant to Brexit risk for the Group is to lend only on assets for which the ongoing need, and therefore value, is less likely to be adversely affected by the UK's future relationship with the EU. This translates to prudent credit policies and rigorous deal appraisal to ensure the sales risk of underlying properties is particularly low, for example through pre-sales and the financing of projects addressing under-supplied segments of the market. As a result, our current approved loan pipeline consists of developments in high demand, growing areas of the UK, such as Greater London, Manchester and Birmingham.

We remain vigilant to any sudden and sharp market movements, including salient economic indicators such as the availability of mortgage products, affordability and wage growth, and incentive schemes such as Help to Buy. It is also worth noting that over 100 lenders now offer 95% LTV mortgages, reducing the market's reliance on Help to Buy going forward. Coupled with recent wage earnings growth, the macro economic environment continues to be supportive of our lending strategy.

Strategic framework

Delivering long-term value

Our strategy has been developed to fulfil the objectives of our two customer groups, borrowers and capital providers, as well as to deliver sustainable shareholder value.

Our vision is to fulfil the highest expectations of our stakeholders whilst delivering market-leading real estate finance.

Our mission is to raise deep pools of capital in order to provide debt finance for real estate projects. We achieve this and meet the needs of our clients through innovative products and services, seeking digital efficiency in our processes, and by building, developing and maintaining high performance teams.

To create long-term value, we have three strategic priorities built around the needs of our two sets of customer: our borrowers and our capital providers. These strategic priorities are to **grow** a profitable loan book while maintaining excellent levels of credit quality, to **raise** additional third-party capital for deployment to the real estate development market, and to **invest** in our operational efficiency, team learning and development.

Strategic Priority 1

1

Grow a profitable loan book while maintaining excellent levels of credit quality.

Achievements in 2018

- Loan book of £525 million, across England and Wales
- Weighted average LTGDV of 67%, 800 basis points less than maximum 75%, a strong indicator of higher quality loan book
- Projected income of £27 million over life of loans
- Zero losses achieved on loan book
- Net Asset Value of £151 million; 95p per share.

Objectives in 2019

- Grow loan book
- Maintain credit quality
- Grow projected income and maintain minimum income
- Maintain zero losses on loan book.

Strategic Priority 2

2

Raise additional third-party capital for deployment to the real estate development market.

Achievements in 2018

- Commercial relationships were executed with three new investors: KKR, UBS and Aviva:
  - two loan-on-loan lines signed, totalling £198m, with UBS and Aviva
  - total AUM raised was £371m.

Objectives in 2019

- Continue to build a strong and diverse pipeline of opportunities for raising new capital to service the loan book
- Raise further discretionary capital
- Source additional credit lines.

Strategic Priority 3

3

Invest in our operational efficiency, team learning and development.

Achievements in 2018

- Operating costs as a percentage of total committed loans were 0.81%, demonstrating the efficiency of the Group's operating model
- Development of our strategy
- We grew headcount from 16 to 25 while maintaining a culture conducive to 'high performance teaming'.

Objectives in 2019

- Implement a technology platform to improve our customers' experience in all their dealings with us, and to increase the efficiency of the loan underwriting, management and asset management processes
- Implement a company-wide objectives management system
- Maintain a culture of 'high performance teaming', learning and development
- Continue to invest in additional people resource to strengthen our capacity.

Key performance indicators

Measuring performance against objectives

Our key performance indicators (KPIs) will measure how successfully we deliver against our strategic objectives for the year ahead.

The figures stated below are those achieved for the Period ending 31 December 2018.

1. New committed loans Achieved for the Period: £525m	**KPI definition – New committed loans represent the total new loans underwritten by the Group on both a co-investment and asset management basis.** Growth in new committed loans reflects the ability of the Group to meet its objective of being a market-leading provider of residential property development finance.	Link to our strategy: 1
2. Projected aggregate income (PAI) and Minimum Income to the Group Achieved for the Period: £27m PAI; £15m Minimum Income	**KPI definition – Each loan originated by the Group includes a Minimum Income Clause (MIC). MICs set a floor on the income from each loan originated by the Group, regardless of the drawdown profile or an early refinancing of the debt. Total projected income on each loan represents all interest and other connected income streams earned over the life of the loan and always exceeds the level secured by any MIC.** PAI is an important metric for the Group as it represents the future income stream of all loans written. The recognition of this income will be dependent on a number of factors, including the timing of the drawdown of a loan and the application of financial reporting standards.	Link to our strategy: 1
3. Weighted average loan to gross development value (WALTGDV) Achieved for the Period: 67%	**KPI definition – WALTGDV represents the weighted average of all loans expressed as a percentage of the gross development value of the total loan book. Gross development value represents the market value of the proposed development assessed on the specific assumption that the development is complete as at the date of valuation in the market conditions prevailing at that date.** WALTGDV is used by the Group as a key indicator of the credit quality of the loans written.	Link to our strategy: 1

4. Operational costs as a percentage of total committed loan book **Achieved for the Period: 0.81%**	**KPI definition – Operational costs as a percentage of the total committed loan book is calculated as total operational costs of the Group before exceptional items divided by the sum of total committed loans.** Operational costs as a percentage of the total committed loan book is a measure of the operational efficiency of the Group and its ability to write and service loans, as well as to raise and manage external capital at a low cost.	Link to our strategy: 3
5. Basic earnings per share (EPS) and basic earnings per share adjusted for exceptional costs **Achieved for the Period: (1.18p) basic EPS; (0.58p) adjusted EPS**	**KPI definition – Earnings per share is calculated by dividing the profit after tax by the weighted average number of shares in issue. Adjusted earnings per share is calculated by dividing the profit after tax, after exceptional costs, by the weighted average number of shares in issue (see note 12).** Over the long term, growth in shareholder value and returns are linked to growth in EPS, which measures the profitability of the Group after tax and interest costs. During the 'ramp-up' period, growth in EPS will lag behind other KPIs such as PAI but, in the medium to long term, it is expected to grow in line with those metrics.	Link to our strategy: 1 2 3
6. Organisational culture of high performance teaming, learning and development	**KPI definition – Organisational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to the unique social and psychological environment of an organisation.** Employee engagement surveys are conducted in order to monitor performance in the areas of 'psychological safety', 'teaming' and learning and development.	Link to our strategy: 3

A focus on risk-adjusted returns

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

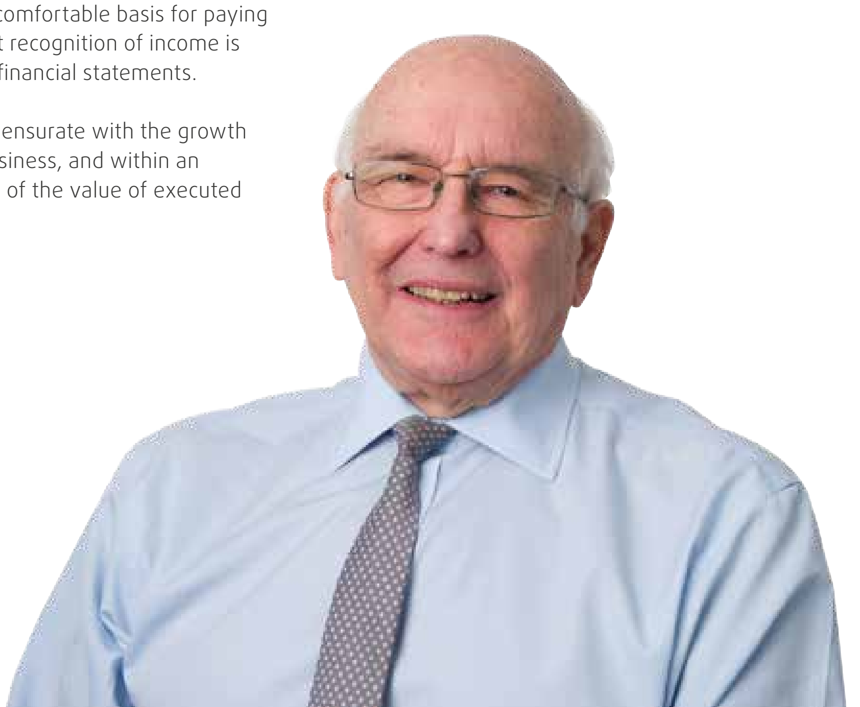
I am pleased to present my first Chairman's statement following our successful IPO.

The Group continues to focus on achieving a well-deployed loan book generating strong cash flow in the form of fee and interest income, and diversified income from asset management fees during the 'ramp-up' period (explained further in the CEO's Review). New loans will replace redeeming loans, creating churn on our capital naturally throughout the year and, at that stage Minimum Income will become less relevant as actual income becomes recognised. This scenario remains the short- to medium-term target for the Group and will drive shareholder value. Pursuing this plan will enable the business to become cash generative, and able to grow dividends at a constant rate, produce a high return on equity and deliver a greater total shareholder return relative to risk.

Trading and dividend

Whilst reporting a loss for the Period, projected aggregate income on the loan book is positive. Income recognition is explained within the Finance Review on page 21 and, as stated above, though we ultimately wish to move away from reporting Minimum Income, it is worth reiterating that this provides a comfortable basis for paying dividends whilst recognition of income is deferred in the financial statements.

Costs are commensurate with the growth phase of the business, and within an acceptable ratio of the value of executed transactions.



"We are focused on building a large, modestly-geared loan portfolio that generates strong risk-adjusted returns, serving best-in-class SME developers with a competitive product, exemplary customer service and loan structuring with a solutions-based focus, incorporating flexibility and ingenuity."

We have accelerated expansion plans in order to capitalise on the opportunity we identified at IPO, firmly believing that we can capture the capital looking to enter our sector. We are focused on building a large, modestly-geared loan portfolio that generates strong risk-adjusted returns, serving best-in-class SME developers with a competitive product, exemplary customer service and loan structuring with a solutions-based focus, incorporating flexibility and ingenuity.

The Board declared an interim dividend of 0.83 pence per share paid in January 2019 and is recommending a final dividend of 1.67 pence per share to be paid on 7 May 2019 (with a record date of 12 April 2019).

Board and governance

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

Nigel Greenaway, Andrew Baddeley and I continue to assist in steering the Group through the risk, governance and regulatory requirements of a newly listed business, and to challenge the Executive function of the business when appropriate.

Overall, we enter 2019 in a robust position, with a high quality loan book, a stronger team in place, and a healthy pipeline of loans and asset management opportunities to execute in the forthcoming period.

Our people

We know our business is nothing without our talented team and so investing in it is critical to how we intend to grow. We foster an environment that offers meaning and purpose through aligning personal values with business objectives.

Learning & development

We have cultivated a learning environment through providing various experiential learning opportunities for all.

Diversity

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

Flexible working

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

Gender equality

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

William McKee

William McKee, CBE
Chairman

Chief Executive's review

A transformational year for the Group

"The Group has made solid progress towards achieving the business plan set out at IPO."

2018 was a transformational year for the Group, during which we joined the AIM market. We have made a solid start to this new phase for the Group and laid firm foundations for the coming years.

Trading and dividend

The reported loss of £1.7m covers a period of less than eight months. Overall, we have made solid progress, with a total of £525m in committed loans and £371m in new capital available through our partnership arrangements. Gross projected aggregate income on the loan book as a whole is £69m (with just under £43m as the guaranteed minimum income). Our share of the projected aggregate income is £27m, which will eventually translate into earnings in the financial statements over the life of the loans. Our share of the minimum income is £15 million. The weighted average LTGDV on the loan book is 67% and the weighted average IRR is 10% (unlevered), demonstrating excellent credit quality, whilst delivering a strong IRR.

While the raising of capital must occur alongside the commitment of new loans, the two are still distinct business activities and the business will one day manage capital in excess of its committed loan book. The Group 'warehouses' loans until capital raised via asset management strategies matches loan commitments. We call this period, estimated to be two to three years following the IPO, the 'ramp-up' period. Over time, as assets under management grow, the Group will have the ability to grow its loan book without having to warehouse each loan temporarily. I will refer to this stage as the 'steady-state' period. The premium earnings multiple that asset managers' share prices trade at typically, as opposed to balance sheet lenders who often trade at a multiple of book value, shows that the market recognises and values this as higher quality earnings.

Initially, given the time it can take to deploy capital into committed loans, we will value the business using a combination of both NAV and earnings. After the 'ramp-up' period, this valuation approach should gradually transition away from NAV towards earnings as the key measure.

Committed loans of

£525m

Key achievements

For the Group, the eight months to the 31 December have been full of significant milestones. Whilst the business today makes a loss, looking at the loss in isolation fails to paint a true picture of the business's achievements in 2018, some of which were exceptional. Shortly after the IPO, in July 2018, the Company entered into a partnership with KKR, with an initial size of £165m. A partnership with such an industry behemoth involved KKR undertaking a considerable degree of diligence on the Company, the competition and the sector, and therefore substantiated our profile and calibre, the size of the market opportunity and the extent of investor appetite in the sector.

In December 2018, the partnership closed a first-of-its-kind, blind-pool discretionary loan-on-loan funding line with UBS, which provided the Group with a £165m facility on a portfolio basis. Additionally, the Group also secured an additional loan-on-loan funding line from Aviva Investors for a single loan within the partnership structure. The combined firepower of the KKR and UBS venture therefore currently provides circa £363m of development lending available to the Group. The Group also syndicated loans to other financial institutions during the year. The total lending capacity raised in 2018 was £371m.

The various relationships secured with high calibre investment partners will, of course, improve our routes to market, demonstrating our growing market stature and, in turn, the quality of our capital base. These relationships also allow us to leverage our partners' market standing and experience by, for example, securing more favourable terms on facilities utilised to enhance returns.

Capital raising

We have a strong institutional investor network and deep-rooted relationships from the management team's 16 years in the industry, initially as principal developers and then, after the global financial crisis, as a non-bank, specialist development finance lender in the UK. The nature of the asset class, and the technical expertise required in underwriting and managing development loans, requires a specialist team to operate in the space. The Group's platform provides institutional investors with the ideal

"2019 is going to be an exciting year for us as we continue to build on what we do best and what we can do better."

Manchester, M4

Senior debt facility to fund redevelopment. The building, Brownsfield Mill, dating from 1825 and Grade II listed, is located in central Manchester in the vibrant Northern Quarter and sits on the canal side. The development will be one of the last mill conversions in the city. The development comprises 31 residential units (1 x one bedroom, 24 x two bedrooms, 6 x three bedrooms) and 19 surface car parking spaces, together with the freehold.

Since 1993, Urban Splash is a specialist regeneration developer and has undertaken more than 60 regeneration projects across the country, from Plymouth in the south to North Shields in the north, creating over 5,000 new homes and 2 million sq. ft of working space.

GDV: £14.2m

Chief Executive's review continued

opportunity to gain exposure to the sector with the benefit of our robust mitigation of various risks alongside return protection mechanisms, demonstrated by our lending and asset management track record.

Investor appetite and capital inflows into the sector are strong and demonstrable through our market partnerships announced in 2018, from large private equity funds and financial institutions to development finance providers. The Market Overview demonstrates positive investor sentiment.

Asset management opportunities are prioritised on the basis of i) increasing the Group's capacity to lend with sufficient operational flexibility to allow us to transact on loans in a timely manner; ii) being secured at rates which are sufficiently competitive to enable us to deploy the funds effectively into the marketplace; (iii) being accretive to our total returns.

Managing discretionary pools of capital, both public and private, as well as raising additional managed accounts and loan-on-loan debt lines, achieves these objectives for the Group.

Loan credit quality

At 31 December 2018, the Group had executed 16 loans with commitments totalling £525m with some of the most highly regarded and experienced real estate developers in the UK, including the Galliard Group, Mace Group and Strawberry Star. Our ability to approach loan structuring with a solutions-based focus, incorporating flexibility and ingenuity, has seen a marked increase in the quality of enquiries from both the developer and broker communities. We employ robust credit guidelines, rigorous deal appraisal and stringent policies and procedures to mitigate market risk in our lending and operations.

The Group has pursued a strategy of geographical diversification, executing funding in regional cities such as Birmingham and Manchester. Residential developments in certain regional locations appeal to the domestic owner-occupier market as well as the investor market and, whilst affordability in London remains challenging, these locations offer relatively affordable accommodation and are supported by strong demand-side factors.

"At 31 December 2018, the Group had executed loan commitments totalling £525m with some of the most highly regarded and experienced real estate developers in the UK."

Falmouth, Cornwall

Senior debt facility to fund the acquisition of land and development of 53 residential apartments. The freehold site directly overlooks Gyllyngvase beach and all the apartments will have uninterrupted beach and sea views. The development will consist of 53 residential units above 2,800 sq ft of commercial property. Falmouth Town railway station is located 0.4 miles from the site. The scheme, which has been christened 'The Liner' due to its nautical design, is set to become an iconic and visionary building, adding a new level of quality to the seafront.

Acorn Property Group is a residential and mixed use developer delivering high quality residential property for almost 20 years. During that time, it has completed a significant number of developments and is a consistent award-winner.

GDV: £31.0m

The Group negotiates levels of pre-sales prior to initial drawdown of particular loans. Demand at many schemes is strong, and our stringent pre-sale requirements are often surpassed, both in terms of sales velocity and prices achieved.

An increased quality of counterparties often results in lower leverage requirements due to higher equity contributions from borrowers. Lower leverage doesn't just reduce lender risk through the larger equity buffer, it also disproportionately diminishes the construction risk. The majority of the build risk is typically within the ground and, in the very early stages of construction, more cash equity up front from the developer means this risk can be significantly reduced prior to the Group advancing any funds. Our loan book exhibits this at a number of projects. We also seek to mitigate cost overrun risk through a combination of fixed price contracts, performance bonds and guarantees from appropriately capitalised entities.

The corollary to securing higher levels of equity up front from the borrower is that the Group defers its own income due to loan drawdowns occurring later. However, we protect against this risk, including the risk of early prepayment, through Minimum Income Clauses in our loan contracts. This allows us to lend against highly de-risked assets, knowing that a minimum level of income will still be received regardless of the final drawdown profile.

Operations

As we commence 2019, the increased operational budget includes nine additional employees, larger office space to accommodate the growing team, and investment in the technological automation of the business. At 0.81% of the c. £620m of total committed loans, we are comfortable this represents a good investment for the Group and should generate a strong ROE within three years.

We continue to focus on seeking benefits for our customers through digitising our business processes, providing our clients with an online interface to manage their dealings with us. This project will also improve internal efficiencies through streamlining the origination, underwriting, management and syndication of existing loans, and the servicing of asset management relationships.

"The Group enters 2019 with a substantial live pipeline of new loan transactions and ongoing asset management relationships, some of which are of considerable size and calibre."

Market outlook

We constantly monitor the macro economic and political environment in the UK, the housing market, and the capital markets. The outlook remains positive in the medium term, despite the uncertainties associated with the UK's exit path from the European Union.

Corporate social responsibility

In recent years, we have been proud to support a number of charitable causes, all with the central theme of education and children. In 2019, we have taken the decision to formalise our philanthropic activities within the structure of our own charitable foundation, UE Philanthropy Limited.

Looking forward

In 2019, our strategy is to build on the positive foundations laid in 2018, to service our borrower clients through competitively priced and modestly geared loans, and to continue to raise deep and diverse pools of institutional capital to finance these loans by aligning with the needs of our capital providers.

The Group enters 2019 with a substantial live pipeline of new loan transactions and ongoing asset management relationships, some of which are of considerable size and calibre. We are focused on ensuring the growth in our loan book and assets under management will translate into profit and total shareholder return over the medium term.

We continue to recognise that our business is, and always will be, a work in progress, constantly growing and refining itself as we strive to achieve our vision. 2019 is going to be an exciting year for us as we continue to build on what we do best, and what we can do better.

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

Randeesh Sandhu
Chief Executive Officer

Finance review

Translating performance into recognisable earnings

Since the IPO, the Group has made good progress in the development of the asset management business, although this is not yet reflected in the reported earnings.

Overview

The Group's operating loss before exceptional items was £1.1m, and total reported loss after tax was £1.7m. This was primarily driven by the Group's strategic objective to grow its asset management business, with a focus on building a sustainable platform with predictable and recurring income streams, profitability and therefore total shareholder return, at the expense of short-term profits. A high quality loan book, with more equity from developers and consequently slower drawdown of funds, also had an adverse impact on short-term income. The projected aggregate income generated by the existing loan book is in line with expectations and the Group expects to expand its lending capacity through its fund-raising activities. The reported earnings include exceptional one-off costs of £0.9m and share-based expenses of £0.5m.

The headline financial results for the period from 10 April 2018 to 31 December 2018 are presented in this Finance Review.

"The Group expects to expand its lending capacity through its fund-raising activities."

Bracknell, RG12

Senior debt facility to fund acquisition and development. The site is the former bus station at Market Street, Bracknell, Berkshire. The town's brutalist concrete structures have not aged well, and the area has undergone an extensive, phased regeneration project costing over £0.75bn, making it one of the largest urban regeneration schemes in the UK. The site is being redeveloped to provide 242 residential units (181 private, 61 affordable) across two blocks, plus 2,680 sq ft of offices and 184 parking spaces. Of the 242 apartments, eight are studios, 136 are 1-bedroom and 98 are 2-bedroom units.

The developer, SevenCapital is one of the largest privately owned real estate investment and development companies in the UK.

GDV: £67.5m

Income recognition

In furtherance of the Group's strategic objective to grow its asset management business, the loans originated by the Group are sold or syndicated to third parties, which delays the recognition of income.

All loans and investments in partnership vehicles are accounted for on a fair value basis under the requirements of IFRS 9.

The structure of our business model is such that loans are typically on balance sheet at origination but are thereafter transferred into an asset management structure, whilst maintaining a portion of the capital commitment. This structure allows the Group to continue its participation in the loans by virtue of its co-investment, and to free up capital to originate new loans to our borrowers.

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

Income

£m	31 December 2018
Income	3.9
Operating costs	(5.0)
Operating loss before exceptional items	**(1.1)**
Exceptional items	(0.9)
Loss before taxation	**(2.0)**
Taxation	0.3
Loss after taxation	**(1.7)**
Basic EPS	(1.18p)
Diluted EPS	(1.18p)
Dividend per share	0.83p

Capital

£m	31 December 2018
Committed loan capital	**524.5**
Third-party funds raised	**371.0**
Cash and cash equivalents	**46.8**
Net asset value	**150.5**
NAV per share	**95p**
Shares in issue	**165,000**
Shares in issue (excluding treasury shares)	**158,494**

Finance review continued

Income that is generated from capital committed by the Group (before subsequently being transferred to the asset management business) or from asset management fees can only be recognised once committed loans are drawn down. If there is a delay in the drawdown of loans by a developer, due for example to the developer committing more equity to the development, there will be a delay in the recognition of income in the income statement. Income recognised in the Period is therefore lower than expected due to some loans being drawn down later than forecast.

The total projected aggregate income due to the Group is £27m. This projected income will be recognised in the income statement over the life of the loans. Our forecast earnings profile for this income is:

2018	2019	2020	2021	2022
12%	25%	25%	25%	13%

Going forward, as the Group grows its AUM and the time between closing a loan and moving it into an asset management structure is reduced, the earnings profile for new loans is more likely to adopt the following profile:

2019	2020	2021	2022	2023
5%	20%	30%	20%	25%

This can be applied to new loans originated in 2019 and onwards.

Financing

During the Period, the Group raised a total of £371m of third-party funds, mainly from its first managed account, a partnership agreement with Kohlberg Kravis Roberts (£150m excluding the Group's investment of £15m) plus an associated loan-on-loan credit line from UBS which will facilitate up to an additional £165m of lending. The commercial terms of asset management fees and performance fees agreed in connection with this are in line with the business plan. The performance fees will crystallise at the end of the agreement's life, once each of the loans is fully redeemed.

Operating costs

The Group has invested significantly in its inaugural Period, with higher than expected operating costs amounting to £5m (£5.9m including exceptional costs of £0.9m). The key area of investment during this 'ramp-up' period was additional resource, with staff numbers increasing from 16 to 25 since IPO. Salaries and benefits (including bonus provisions) totalled £3.1m, with £0.5m of share-based expenses, relating to the costs of the Long-Term Incentive Plan. Although costs are higher than previously expected, they should be seen in the context of the size of the overall committed loan book. The cost base represents just 0.81% of the total committed loan book.

Exceptional items

Exceptional items relate to costs incurred in relation to the IPO amounting to £0.6m plus one-off professional fees of £0.3m.

Earnings per share

Basic loss per share for the period is 1.18p and adjusted loss per share after exceptional costs is 0.58p, based on a weighted average number of shares of 145,793,865.

Dividends

In accordance with our dividend policy:

- the Board approved a total dividend for the Period ended 31 December 2018 of 2.5p per Ordinary Share
- one third was paid as an interim dividend which was declared on 17 December 2018 at 0.83p per Ordinary Share
- the balance of 1.67p per Ordinary Share is expected to be declared as a final dividend for the period ended 31 December 2018 at the Group's AGM
- a dividend of 5.0p per Ordinary Share is expected for 2019
- The Group will have a progressive dividend policy thereafter.

Balance sheet

£m	31 December 2018
Non-current assets	18.6
Fair value of loans	89.5
Contract assets	3.4
Cash and cash equivalents	46.8
Other assets and liabilities	(7.8)
Net assets	**150.5**

Cash flow

£m	31 December 2018
Operating cash flows before movement in working capital	(1.4)
Change in working capital	(89.5)
Net cash outflow from operating activities	**(90.9)**
Capital Expenditure	(0.4)
Net cash outflow from investing activities	**(0.4)**
Share issue	150.0
Share issue expenses	(6.7)
Share buyback	(5.2)
Net cash inflow from financing activities	**138.1**
Net increase in cash and cash equivalents	**46.8**

Hampstead, London NW3

Debt facility to fund the development of a unique scheme of 17 apartments within the Hampstead Village conservation area. Hampstead is situated in north London and benefits from the neighbouring expansive Hampstead Heath. The property is situated on the northern side of New End, which is within the centre of the village of Hampstead. The development is the first new-build scheme to be completed in the area for 18 years and will create some of the finest residential addresses in Hampstead. The development is of a striking design with wrap-around terraces on the upper floors and communal outside gardens, and will benefit from spectacular views across London. The properties will all benefit from underground parking spaces.

The borrower, The Linton Group, is an experienced developer having undertaken a variety of projects from basic refurbishments to large scale new-builds.

GDV: £74.6m

Investments

In the Period, £2m was invested in the partnership with Kohlberg Kravis Roberts (KKR), being the Group's 9.1% share of £21.4m total invested by the partners. This was primarily to fund loan drawdowns, and the Group will earn asset management fees on its share of these drawdowns. The investment is accounted for at fair value through profit and loss.

Shares

At year end, there were 165,000,000 ordinary shares issued, including 6,505,870 Ordinary Shares held in treasury, which were purchased by the Company on 14 November 2018.

Tangible assets

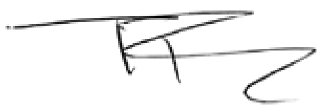
Group capital expenditure was £0.4m, invested predominantly in new office premises.

Loans receivable

The fair value of loans as at 31 December 2018 was £89.5m. These are held on the balance sheet with the intention of being transferred to third party management structures, thereby growing asset management revenues and freeing up capital to deploy into new committed loans.

Cash flow

Operating cash outflows before movement in working capital of £1.4m reflects the loss for the period less net adjustments for non-cash items. The large working capital movement of £89.5m reflects the increase in receivables, being predominantly the deployment of cash into loans. After investment and financing activities (described above and including £6.7m of share issue costs), the net increase in cash and cash equivalents was £46.8m.



Trevor DaCosta
Finance Director

Effective risk management

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

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

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

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

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

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

Overarching risk appetite statements

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

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

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

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

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

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

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

Primary board risk appetite metrics & reporting

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

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

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

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

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

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

Risk	Explanation of risk	Impact on the Group	Mitigation of risk
Credit risk	The Group is exposed to credit losses if borrowers are unable to repay loans and outstanding interest and fees.	A major loss could have a serious effect on Group profit.	The Group has stringent underwriting criteria which include third party valuations and a full legal documentation pack for each loan written by the Group. Further details of the Group's credit process are set out below.
Market risk	A risk that a change in the Group's funding rates will impact its return from lending.	A potential reduction in earnings.	All loans made by the Group are subject to a floor interest rate, and the interest rates charged move with changes in funding costs or are appropriately hedged, so that the Group does not have interest rate risk.
Capital & liquidity risk	A risk that the Group does not have sufficient capital and/or liquidity to fund its business.	A lack of capital and/or liquidity will result in the business not being able to fund its costs as they fall due or fund its lending to borrowers.	The Group does not commit to any loan to a borrower without clearly identifying how the loan will be funded over its life. The Group maintains a minimum level of liquidity to ensure that its 12-month projected operational costs are fully funded.
Conduct risk	Any action that leads to a breach in the regulatory or legal obligations of the Group.	Failure to comply with regulatory or legal obligations could result in fines being imposed on the Group.	Anti Money Laundering checks are conducted for each loan as part of the Group's stringent underwriting criteria. Third party law firms are appointed on each loan written by the Group and the Group has zero tolerance for any material breaches of law or regulatory obligations.
Operational risk	Any action that leads to an interruption in the provision of business services by the Group.	A failure in the operations of the business may cause harm to the customers of the Group and may have an impact on the income of the business.	The Group seeks to ensure that it remains resilient to operational risk events through the maintenance of a robust control environment and transparent reporting of control failures and risk incidents.

Principal risks & uncertainties continued

GDPR

As a business, we do not rely on significant volumes of third party data, however we do handle personal client information in the process of complying with Anti Money Laundering checks. We have invested in third-party operational reviews to ensure our processes are compliant with GDPR, which came into effect in May 2018.

Credit Committee

The Credit Committee is comprised of Rabinder Takhar (Chairman), Randeesh Sandhu and Daljit Sandhu. The Committee meets once a week, or more frequently if required by the Committee Chairman.

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

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

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

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

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

Welwyn Garden City, Hertfordshire

Senior debt facility to fund working capital for the Borrower following land acquisition. A high profile site consisting of 10 acres adjacent to the train station, it was formerly the Shredded Wheat Factory which closed in 2008 after 73 years in operation. Part of the former factory and all of the silos are Grade II* listed. The development will comprise 850 dwellings, potentially including up to 80 care home/ assisted living units, various retail, commercial, office and leisure uses, together with ancillary amenity space. Several stakeholders including Tesco, Metropolitan Housing Trust and Welwyn Hatfield Borough Council.

The ZM Land team has delivered over 300 planning consents amounting to over 9,000,000 sq. ft of development in the last 20 years.

GDV: £133.1m

Risk	Mitigating factor
Planning	• Only fund schemes that have outline or full planning permission in place
Construction	• Only lend to experienced developers with typically a 10-year + track record in UK development • Due diligence developers and professional team, including its main contractors and sub-contractors • Drawdowns are paid in arrears only once external project monitors verify the works, values and costs • In-house capability to complete construction of any project – 'step-in' rights
Credit	• 100% of required equity taken up front prior to releasing first tranche of UE loan • Cost overrun guarantees trigger further injection of equity from borrower • Robust stress-testing of borrower's model • Performance bonds to cover insolvency risk
Sales	• Approval of developer's sales and marketing plan • Facility LTGDV average 67%, (capped at 75%) • Pre-sales prior to funding with large deposits held in escrow – loan value typically lower than pre-sales value • 30–40% fall in prices required to impact on capital – values in London fell by c. 22% during 2007–2009 • Lending in areas with strong rental demand • Only lending on projects with end units priced in line with local market • Requiring minimum 10% deposit, individuals only, UK residents predominantly
Stamp duty changes	• Urban Exposure typically lends on low/mid end-priced developments – these projects have benefited from the recent SDLT reductions
Housing bubble	• Supply/Demand imbalance in the UK at its greatest since WWII • UK population at all-time high and continuing to rise at record rates • Sizeable government initiatives and funding support to increase housing supply across the UK (inc. Help to Buy, SDLT reform, Lifetime ISAs, etc.)
Political climate	• Housing is always a key focus of any government given its significance to voters. Focused on areas where demand exceeds supply and lending on projects in line with government policy • As Brexit nears in April 2019, the government has reiterated its support for the White Paper of 2017, which matches the Company's lending strategy also
Interest rate rises	• Loans typically linked to LIBOR (with LIBOR floor) • UE loans may require the borrower to be hedged against interest rate rises • End buyer mortgages are currently offered at historic lows, and this is expected to continue for the medium term

Committed to maintaining the highest standards

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

A fundamental facet of this assurance is the desire to manage the Group in a sustainable and socially responsible manner, since we believe it to be integral to behaving in a way that is beneficial to all our stakeholders – employees, customers, suppliers, investors and shareholders – our environment, and the wider community.

Urban Exposure Plc is a young business – indeed, this annual report is its first as a public company – and in terms of headcount is relatively small, currently numbering less than 30 individuals. Nevertheless, we are mindful of our ability to make a positive contribution to society and we aim to improve continually our endeavours in these areas.

In pursuance of that aim, we recognise five key areas that contribute to corporate social responsibility: **Our people**, **Our clients**, **Our suppliers**, **Our environment** and **Our community**.

We set out both our beliefs and our tangible achievements in those areas here.

Our people

We know our business is nothing without our talented team and so investing in it is critical to how we intend to grow. We foster an environment that offers meaning and purpose through aligning personal values with business objectives. We want our employees to be proud to work with us. We actively encourage every individual to speak up, lead projects, drive change and continuously share their ideas and learnings regardless of their level within the organisation.

Our culture is underpinned by transparency. We recognise the importance of keeping employees informed of matters affecting them, such as the financial indicators impacting the performance of the business and developments in the industry in which we operate. These aspects are communicated to employees through weekly briefings, 'town hall' meetings and social events. It is of equal importance that our employees, regardless of seniority or tenure, have a voice so we can learn from our mistakes, improve our decision-making and continue to innovate and adapt to market demands.

Learning & development

We have cultivated a learning environment through providing various experiential learning opportunities for all. Where it is necessary, we will support learning with formal programmes. It is our belief that supporting individual growth helps our employees maximise their full potential, and strengthens our organisational capabilities, this in turn benefits all stakeholders by helping us to achieve more as individuals and collectively, and future-proofing the organisation as a whole.

Diversity

We believe that building diverse and inclusive teams is not just a generic business objective, but good for business. We are committed to promoting an inclusive and empowering working environment for all. We respect and value the things that make our people who they are. It is our different thinking styles, experiences and personality types which have allowed us to find dynamic solutions to the challenges we have faced.

Flexible working

We recognise how important it is for our employees to be able to balance responsibilities at work with responsibilities at home. We have therefore developed family-friendly policies to enable all our employees to deliver to their fullest potential whether this is working from home, compressed hours or part-time working arrangements.

Gender equality

Furthermore, gender parity is important to us and we want to be accountable for what we are doing to improve it. As an employer with less than 250 employees in the UK, the Group is not required to publish gender pay gap information under the Equalities Act 2010 (Gender Pay Gap Information) Regulations 2017. However, in the spirit of transparency, we have decided to begin publishing data from the next financial year onwards. We want to ensure that we have equality in our hiring practices, equal representation across the different functions and fair treatment for all.

We strive to improve every component of our employees' health and wellbeing through various initiatives, policies and benefit programmes. We expect a great deal from our employees and we therefore take our duty as an employer extremely seriously. We want our people to operate at their very best and we will continually work to ensure they have the tools and capabilities to do so.

Our clients

We serve many different types of client – borrowers (typically small to medium-sized residential property developers), development finance brokers, and institutional investors.

In seeking to ensure that we are providing the best possible service for our clients, we expect our employees to communicate clearly and honestly, and to exercise high ethical and moral standards at all times whilst representing the business. The Board ensures that ethical values and behaviours are recognised and respected throughout the organisation, and leads from the top in this respect by maintaining the highest standards of personal behaviour. The Audit Committee and Board scrutinise the activities of the business and have responsibility for monitoring the ongoing effectiveness of our internal controls.

> "We recognise the importance of respecting and supporting the communities in which we operate and thereby improving the positive impact of business in society."

The Harris Federation

The Harris Federation is a not-for-profit charity with over 25 years' experience of education in and around London. It has built its reputation on a family of 47 (and growing) primary and secondary academies that, across the board, are setting the highest standards of excellence.

It is the top-performing large multi-academy trust and educates one in every 44 pupils in London (32,000) with a £200 million annual budget and 4,000 staff. 78% of all its academies have been graded as 'Outstanding' (compared to 20% nationally).

We have identified our first Harris Federation nursery – in Peckham, south-east London – for which we intend to provide dedicated financial support. Our aim is to raise annual charitable donations sufficient to discharge the entire operational costs of the nursery on an ongoing basis, with a launch date of September 2019. We would maintain constant involvement in the running of the nursery and, in time, would look to expand the model to further nurseries across London and the rest of the UK.

This initiative will form the core of a dedicated Urban Exposure charitable foundation – Urban Exposure Philanthropy Limited – to be launched in the autumn of 2019. We are currently undergoing the process of registering the charity with the UK Charity Commission.

Corporate social responsibility continued

Our community

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

The Group's employees support their local communities and dedicate their time to charities and other causes, both independently and with the Group's explicit endorsement. We are keen to support employees in these endeavours wherever possible, through the provision of company resources, including the allocation of paid time off from work or direct donations. We give all staff three CSR days a year in order for them to donate their time and expertise to charities on a pro bono basis, participate in community projects or for other fundraising activities.

The various initiatives that we have supported make it clear that we have a particular passion for giving under-privileged children a better future, inspiring and empowering youth to live their dreams. As part of that strategy, we have adopted the following programmes, all dedicated to supporting youth in terms of education specifically and well-being generally. Urban Exposure employees have been actively involved in supporting all three of the initiatives described in this section.

"The various initiatives that we have supported make it clear that we have a particular passion for giving under-privileged children a better future."

Norwood

The Norwood charity supports vulnerable children and their families, children with special educational needs and people with learning disabilities and autism. It has a multi-disciplinary team of practitioners and a family of services designed specifically to support vulnerable children and their families.

It offers educational support services, occupational therapy, speech therapy and groups for children with social and emotional difficulties, and also a respite facility for children with learning disabilities or complex health needs.

In addition, it owns and manages 13 residential care homes to enable older children to live as independently as possible.

Urban Exposure was proud to win Norwood's Corporate Volunteer of the Year award for 2018.

Our suppliers

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

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

Our environment

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

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

"Our reputation is very important to us and, to help safeguard this, we won't knowingly do business with any organisation that doesn't share our commitment to dealing with stakeholders fairly, transparently and ethically."

Akshaya Patra Foundation

The Akshaya Patra Foundation is a not-for-profit organisation headquartered in India. It strives to eliminate classroom hunger by implementing the Mid-Day Meal Scheme in state and state-aided schools.

Constantly leveraging technology, its state-of-the-art kitchens have become a subject of study across the world. It is now the world's largest NGO-run mid-day meal programme, serving wholesome food every school day to over 1.75 million children from 15,000 schools across 12 states in India.

In February 2019, the organisation celebrated the serving of over three billion meals. It also aims to counter malnutrition and actively supports the right to education of socio-economically disadvantaged children.