31 May 2017

Telford Homes Plc

("Telford Homes" or the "Group")

Final Results

Telford Homes Plc (AIM:TEF), the London focused residential property developer, today announces its final results for the year ended 31 March 2017.

Highlights

- Record revenue of £291.9 million, an increase of 19 per cent (2016: £245.6 million)
- Pre-tax profit for the year exceeded original market expectations increasing to £34.1 million (2016: £32.2 million)
- On track to exceed £40 million of profit before tax in the year to 31 March 2018 and £50 million in the year to 31 March 2019
- Over 80 per cent of anticipated gross profit for the year to 31 March 2018 and over 60 per cent for March 2019 already secured
- Proposed final dividend of 8.5 pence per share bringing the total dividend for the year to 15.7 pence per share (2016: 14.2 pence), an increase of just over 10 per cent
- 99 per cent customer recommendation rate in calendar year 2016
- Substantial forward sales position at 1 April 2017 amounting to £546 million (2016: £579 million) underpinning growth expectations over the next few years
- Increased focus on build to rent with pipeline now representing nearly 500 homes with a combined contract value of over £230 million
- Continued investment in land with three site acquisitions in the last four months
- Development pipeline at £1.5 billion of future revenue represents more than five times revenue reported in the year to 31 March 2017

Commenting on the Final Results, Jon Di-Stefano, Chief Executive of Telford Homes, said: "I am delighted to report record levels of revenue and profit for the year to 31 March 2017 and an increase in the dividend paid to shareholders. Since the start of 2016 we have swiftly established Telford Homes at the forefront of the London build to rent sector with over £230 million of combined contract value secured to date. Build to rent is a strategic focus for the Group and we expect to further increase our activity in the coming months.

Our confidence in delivering continued growth remains unchanged, supported by the chronic need for homes in London. We are on track to exceed £40 million of profit before tax for the year to 31 March 2018 and £50 million in the year to 31 March 2019 having already secured over 80 per cent of the anticipated gross profit for 2018 and over 60 per cent for 2019."

- Ends -

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Copies of this announcement are available from the Group at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF and on our website www.telfordhomes-ir.london.

CHAIRMAN'S STATEMENT

We are well positioned to continue the growth of Telford Homes thanks to the strength of our performance in the undersupplied non-prime London housing market and our increasing activity in the build to rent sector.

Performance

Notwithstanding some uncertainty created by the outcome of the EU referendum we have experienced robust demand for our homes from individual investors and owner occupiers. Our ability to deliver forward sold homes to our customers on programme, together with a step change in our presence in the build to rent sector, saw Telford Homes achieving excellent results for the year to 31 March 2017. I am particularly pleased that we achieved a 99 per cent customer recommendation rate in 2016, a notable endorsement of our commitment to quality and service.

Since February 2016 we have exchanged contracts on four significant build to rent transactions with a range of investors, indicative of our growing reputation in the sector as a trusted delivery partner. Along with monitoring external influences on the Group, the development of our build to rent strategy has been one of the principal areas of focus for the Board this year. This sector complements our historic focus on individual sales to investors and owner occupiers and is well aligned with our forward selling philosophy. The attractive return on capital and lower risk profile associated with build to rent will facilitate accelerated growth for Telford Homes, although the Board remains mindful of ensuring the business grows in a controlled manner in order that our high standards of operational performance are upheld.

Dividend

The Board is pleased to declare a final dividend of 8.5 pence per share, making a total of 15.7 pence per share for the year, an increase of just over 10 per cent compared with the previous year (2016: 14.2 pence). Our policy is to pay one third of earnings as dividends in each financial year. For the year to 31 March 2017 however, the Board has fulfilled its promise to increase the dividend payment above that level in order to offset the dilution in earnings resulting from the equity placing in late 2015. Therefore, the interim dividend together with the full year dividend equates to over 40 per cent of earnings for this financial year. The final dividend will be paid on 14 July 2017 to those shareholders on the register at the close of business on 16 June 2017. The ex-dividend date is therefore 15 June 2017.

Culture and values

I have always been proud of the single team culture and strong values of Telford Homes. In the last year we have recruited talented people from outside of the business at levels not seen previously. As Telford Homes continues to grow and our strategy evolves, there is a need to ensure that the culture that has made the business so successful to date is preserved, yet able to adapt to the requirements of a larger organisation. For this reason, the Group plans to review its corporate vision, mission and values during 2017 to ensure these reflect the evolving position of the business and allow us to capitalise on the opportunities that lie ahead.

In a year that has seen strong operational growth, our admirable health and safety record merits mention. Health and safety is the first item on the agenda at monthly Board meetings and our performance is testament to the sound policies and procedures in place, as well as the deep-rooted sense of responsibility that pervades the organisation.

Another core principle in our approach is the emphasis placed upon sustainability. Although this has been a consideration in the Group's way of operating for some years, following the appointment in 2016 of a Head of Sustainability, the philosophy has been formalised into our 'Building a Living Legacy' strategy. A number of core targets have been established within this strategy and we are committed to achieving these in the coming years.

Outlook

I am delighted to be able to look back on another excellent year, and, on behalf of the Board, I wish to thank all our employees for their hard work in delivering these results. I am excited by the strength of our development pipeline and the promising opportunities that lie ahead for Telford Homes to play an increasing role in meeting the need for new homes in London.

Andrew Wiseman

Chairman

30 May 2017

CHIEF EXECUTIVE'S REVIEW

In addition to strong financial results for the year to 31 March 2017, our growing reputation as a build to rent partner is unlocking an exciting source of future growth.

Performance

I am delighted to report record levels of revenue and profit for the year to 31 March 2017. Pre-tax profits continued to increase, reaching £34.1 million (2016: £32.2 million), slightly ahead of the level anticipated at the beginning of the year due to more open market completions in the second half of the year and additional build to rent profit recognition. The gross margin before interest charges of 22.3 per cent and the operating margin before interest of 13.4 per cent were in line with expectations. Both reflect the increasing mix between developments sold to individual buyers and build to rent transactions secured at lower margins in exchange for enhanced capital returns.

Despite uncertainty in relation to the outcome of the EU referendum and tax changes impacting primarily UK based individual investors, our underlying market has remained resilient. Any potential dampening effect of these factors has been outweighed by the structural imbalance between supply and need for new homes in London, particularly at our typical price point.

Our forward selling strategy continues to be at the heart of our model. We sell homes early in the development cycle as a means of de-risking projects and advancing investment into new opportunities. This means that trading activity undertaken in each financial year will typically deliver revenue and profit over the following two to three years, giving the Board substantial visibility over future profit levels and expected cash flows. We receive deposits when contracts are exchanged for individual properties and, as at 31 March 2017, £68.1 million of deposits had been taken in advance of future completions. This additional funding supports further investment in the development pipeline and reduces the need to draw down debt finance. We start the financial year with a substantial order book of forward sales of £546 million (1 April 2016: £579 million). This secure and de-risked position is underpinning our stated expectations for growth over the next few years.

Following some recent land acquisitions our development pipeline stands at £1.5 billion of future revenue and represents more than five times the revenue generated in the year to 31 March 2017. The average anticipated price of the open market homes within the pipeline is £527,000 (2016: £513,000). This is in line with our model of seeking non-prime opportunities where the average sales price is below £1,000 per square foot, and hence the majority of homes are priced between £350,000 and £700,000.

In February 2017, we added to the pipeline with the acquisition of a sizeable development site, the former London Electricity Board ('LEB') building on Cambridge Heath Road, E2 for £30.2 million. The anticipated gross development value of the site is approximately £95.0 million. Subject to planning consent, we expect to start work on site in 2018 and to finish in 2021. Post year end we have exchanged contracts to acquire Stone Studios in Hackney Wick for 120 homes plus commercial space, and been selected as the preferred partner of the London Borough of Brent to develop 236 homes in South Kilburn. Both sites have full planning consent and we expect to start on site later this year.

Customer mix

The Group's customer mix for the year to 31 March 2017 has moved significantly towards institutional build to rent investors, with this sector representing 77 per cent of sales generated (2016: 24 per cent) compared with individual investors from the UK and overseas at 20 per cent (2016: 69 per cent) and owner-occupiers at three per cent (2016: seven per cent). In total, including build to rent transactions, we exchanged contracts for the sale of 501 open market properties in the year to 31 March 2017 (2016: 463).

Individual open market sales

As our build to rent business has grown, and we have continued to pursue our forward sales strategy, we have naturally seen lower numbers of sales to owner-occupiers. Unless they are cash buyers, owner-occupiers are typically unable to purchase more than six months ahead of completion. However, there is clearly significant demand from this part of the market and over the last few weeks we have had a very encouraging response to the launch of the residual availability at Bermondsey Works leading to 22 owner-occupier reservations, 20 of which are being purchased under the Government's Help to Buy scheme.

We have seen robust demand from individual investors underpinned by a thriving rental market primarily caused by an imbalance between supply and demand for rental properties at the right price point. Amongst these sales it is pleasing to see a number of repeat purchasers, who often opt to wait for the launch of the next Telford Homes development rather than investing elsewhere. In the 2016 calendar year, we achieved a 99 per cent customer recommendation rate, an outstanding performance that sustains the high levels achieved in previous years (2015: 99 per cent).

Our last significant launch to individual investors was the second phase of City North, Finsbury Park, in November 2016, which secured 73 new sales for a combined value of over £43 million. The success of this is evidence that high quality homes in desirable locations remain sought after by investors across the world. Subsequent to City North, developments that could have been more widely launched for sale have instead been sold to build to rent investors as part

of our new strategic focus. Notwithstanding this we are confident that there remains a healthy market for our typical product from individual buyers.

Build to rent

We have increased our presence in the London build to rent sector over the last year. Since February 2016 we have entered into four build to rent transactions comprising nearly 500 homes, together worth over £230 million. Telford Homes is a valued partner to large-scale investors, given our record in delivering complex residential projects, and we are proud to have become recognised as a significant build to rent developer in such a short space of time.

In December 2016, we exchanged contracts for the sale of The Forge, Redclyffe Road, E6 to M&G Real Estate. The sale consisted of the freehold interest in the land and construction of 125 homes for a net consideration of £48.6 million. This was our third build to rent transaction, and the second with M&G. At the end of March 2017 our joint venture, Chobham Farm North LLP, exchanged contracts on our fourth significant build to rent transaction. Contracts were exchanged for the sale of 112 of the 297 open market homes at New Garden Quarter, Stratford E15 for a net consideration of £53.7 million. The sale, to a subsidiary of our joint venture partner Notting Hill Housing Group, was for the first phase of open market homes at this development and removed the need for third party debt finance.

As we have previously reported we are actively looking into establishing longer term relationships with build to rent investors. We anticipate that this type of partnership will enable Telford Homes to buy land with a secured build to rent sale already in place subject to any planning requirements. This will bring focus to our acquisition of build to rent opportunities allowing us to move swiftly to secure sites and to take advantage of an increased desire for purpose built rental homes from local councils and the Mayor of London.

Market context

The principal market developments in the year have been a level of nervousness created by the outcome of the EU referendum and tax changes, namely the three per cent stamp duty surcharge on second properties and the phased removal of tax relief on mortgage interest. The potentially negative impact of these factors on our performance has been mitigated by the chronic imbalance between the supply of and need for homes in London. Our business model of developing homes that people can afford to either buy or rent is built upon this fundamental and longstanding driver of demand.

Although the EU referendum result created a degree of uncertainty, this has not to date been a significant cause for concern for the Group. We chose to defer launches for a short period while the immediate furore died down, something that our focus on forward selling allows us the flexibility to do. Demand remained buoyant however and neither have we seen significant

pressure on labour availability or materials due to the result especially as there has not been a dramatic increase in the supply of homes in London. We will continue to monitor the negotiations with the EU looking for stability throughout the process and assurances as soon as possible on the rights of EU workers to remain in the UK. We consider that these are already vital considerations for both sides, which supports our confidence in continuing with our current strategy for growth.

The shift of our business model towards build to rent has helped to cushion us from the impact of the tax changes. In any case sales to overseas investors have remained robust, evidenced by the launches of the Liberty Building just over a year ago and more recently City North. We have seen particular success over the last three years in selling to investors based in China. This is despite any potential tempering of demand in relation to leaving the EU or the additional three per cent stamp duty, both of which have been offset for some buyers by favourable movements in exchange rates.

We have, however, seen a reduction in the number of UK based individuals seeking to invest in buy-to-let properties. These investors have been more sensitive than overseas buyers to the uncertainty resulting from the EU referendum, and have also been deterred by the increase in stamp duty and the reducing ability to benefit from tax relief on mortgage interest. Despite these tax changes the attractive rental yields that are bringing institutional investors into the market should also encourage individuals to invest again once their confidence returns.

Objectives and strategy

Our primary objective is to build more homes in London and to grow in a controlled manner to meet some of the shortfall between supply and need in the capital. We are on track to achieve our stated ambition to generate significant growth in pre-tax profits over the next two years, and also to create a platform for sustaining a bigger business that can continue to grow in the longer term.

Our strategic priority is to further increase our activity in the build to rent sector. Our business is very capital intensive and this restricts our rate of growth if we are relying on our own sources of capital. A key attraction of build to rent is that forward funded developments do not require much, if any, of our equity, nor any debt finance. This allows us to accelerate the growth of the business, provided we have the operational capacity to do so, and to combine that with reducing our longer term reliance on debt.

As well as the focus on increasing our presence in build to rent, we are expanding our geographical reach beyond our historical heartland of boroughs in the East of London. We still expect to operate in our key boroughs, but as the business grows in scale we are looking to broaden the spread of individual sale and build to rent opportunities. An example of this in

action is the South Kilburn site in partnership with Brent, a borough in which we have not previously developed. We believe our skillset can be deployed to develop homes across London, maintaining a strong pipeline of developments for individual buyers in non-prime locations and for build to rent investors.

Another decision that has resulted from our increased scale is to target larger sites, typically of 50 or more units, in order to secure economies of scale. This also fits with the minimum scale of investment for most build to rent investors and ensures we are not spending time on smaller sites that historically contribute much less to profits and disproportionately take up operational capacity.

Having a solid foundation of forward sold properties now allows us the flexibility to hold back some open market homes until later in the development time frame, should we wish to take advantage of an active owner occupier market, supported in some instances by Help to Buy. We have seen recent success with Help to Buy at Bermondsey Works, having held back the residual availability with that objective. We do not expect Help to Buy to become as fundamental to Telford Homes as it is to many other developers, but it will help us to maintain support for those who still wish to purchase their own home.

We are planning dedicated sales centres on more of our sites, working together with our central sales location in Stratford. In these instances, including at Bow Garden Square, St Pauls Way, E3 and the remainder of New Garden Quarter, we will be commencing sales much later in the development process than would normally be the case. We expect this to bring a healthy balance to our overall sales mix ensuring that we are able to flexibly adjust to any future demand changes across our various customer segments.

In the last twelve months we have taken a big step forward in terms of our commitment to sustainability. We now have a Head of Sustainability and a fully-fledged strategy, ‘Building a Living Legacy’, including a commitment to achieving a range of targets over the next seven years. These targets address economic, social and environmental aspects of building a sustainable business for the benefit of all our stakeholders.

Ever mindful of needing to work as efficiently as possible, we have increased our adoption of modern methods of construction to speed up the delivery of certain developments, something the government has been encouraging the sector to do. Not only is this beneficial to our customers and investors but it also improves our return on capital. Examples include the off-site construction of brick cladding at our Manhattan Plaza development and the use of a lightweight metal frame structure at The Pavilions, one of our build to rent schemes. Along with the rest of the industry, we will be looking at how we can increase the use of these methods and others to deliver homes more quickly and efficiently.

Outlook

We anticipate that the lack of supply of new homes relative to need in non-prime areas of London will continue to provide ample opportunity for the growth of Telford Homes in the foreseeable future. Our increased focus on build to rent, with de-risked sales requiring reduced levels of equity and no debt finance, allows us to evaluate ways to grow at a faster rate. Although build to rent projects generate a moderately lower net margin, our return on capital is much improved and longer term debt requirements will be lower.

We expect to continue our successes in the build to rent sector due to the increasing appetite of a range of potential investors. In particular, we will pursue longer term partnerships whilst also maintaining an awareness of other opportunities. We anticipate that over the next few years build to rent could represent as much as half of our total revenue pipeline.

The Board is comfortable with the development pipeline, and we have avoided acquiring land at inflated prices. We have equity and debt available to add to the pipeline, and will do this where opportunities are consistent with our strategy and meet our financial hurdles. Prospects spanning a variety of locations are being evaluated on an ongoing basis and in greater numbers than in 2016. This, together with the successful tenders for our recent acquisitions, is encouraging in terms of securing access to our most important raw material.

We are confident in our product and market place as we look to the future. Over 80 per cent of the anticipated gross profit for the year to 31 March 2018 has been secured, and Telford Homes is on track to deliver over £40 million of profit before tax. In addition, for the year to 31 March 2019, we have secured over 60 per cent of the anticipated gross profit and expect profit before tax to exceed £50 million.

The strength of our performance and outlook are testament to the hard work and commitment of everyone at Telford Homes. I am proud of our way of working, our exemplary rate of employee retention and our excellent health and safety record and all the more so in view of the exceptional growth we have achieved in the last few years. I want to thank everyone that makes Telford Homes a special place to work and I look forward to another exciting period of growth ahead.

Jon Di-Stefano
Chief Executive
30 May 2017

FINANCIAL REVIEW

Telford Homes has experienced another year of excellent results achieving growth in profit before tax for the fifth year running from £3 million in 2012 to just over £34 million this year. The Group has seen success in forward selling homes through traditional channels but has also increased its focus and prominence in the London build to rent sector entering into three more build to rent contracts in the year. The Group has continued to invest in land and work in progress but still has substantial headroom within its £180 million revolving credit facility available to achieve its aspirations of increasing profit to over £50 million by March 2019.

Presentation of joint ventures

In the year to 31 March 2015 the Group adopted IFRS 11 'Joint Arrangements' which states that joint ventures should be accounted for as equity investments rather than by proportional consolidation. The Group's joint ventures are an integral part of the business and as such the Board believes that the financial results are most appropriately presented using proportional consolidation which means including the relevant share of the results of joint ventures in each line of the income statement and balance sheet. This therefore remains the method of presentation within the Group's internal management accounts.

The Board has prepared an income statement and a balance sheet using proportional consolidation along with Generally Accepted Accounting Principles (GAAP) compliant versions presenting joint ventures as equity investments. The key performance indicators and other figures within this report include the Group's share of joint venture results. The Board suggests investors follow its lead in assessing the business on the results that include a proportional share of joint ventures.

Operating results

Revenue, including the Group's share of joint ventures, has increased to a record £291.9 million (2016: £245.6 million), up 18.9 per cent on the prior year. On a Generally Accepted Accounting Principles (GAAP) basis, excluding the Group's share of joint ventures, revenue increased to £266.0 million (2016: £242.7 million).

The number of open market residential completions was lower than the prior year at 289 (2016: 482) however the average selling price was higher at £531,000 (2016: £417,000). The reduction in completions is purely down to availability of finished stock with fewer units physically available to handover in the current financial year. Similarly, the increase in average price is a function of the mix of developments completing in each year in terms of product and their location together with relatively modest sales price inflation.

The reduction in revenue from open market completions was more than offset by an increase in both subsidised affordable housing revenue and build to rent revenue recognised in the year. In the year to 31 March 2017, the Group exchanged contracts to deliver 400 affordable homes (2016: 87 homes) and entered into three new build to rent contracts to deliver 387 build to rent homes (2016: 156 homes) over the next few years.

The Group continues to recognise revenue from the sale of affordable homes and build to rent homes under contract accounting on a percentage of completion basis throughout the build programme. Revenue recognised from affordable housing was £50.1 million (2016: £19.1 million) and from build to rent contracts was £76.5 million (2016: £19.9 million). This includes the new contracts exchanged during the year together with the ongoing profit recognition on contracts exchanged in previous years.

The increased focus on build to rent will, over time, result in a greater proportion of the Group's revenue and profit being recognised on a percentage of completion basis over the life of the development as opposed to individual open market sales where revenue and profit which is recognised at the point of legal completion. Build to rent sales can therefore result in the Group recognising revenue and profit earlier than if the homes had been sold to individual purchasers.

A further advantage of build to rent sales is that they are forward funded by the investors and therefore they offer exceptional returns on capital. Forward funding broadly means an initial payment reimbursing the cost of the land followed by monthly construction payments and finally a payment on completion. As such very little, if any, equity is used during construction and no debt is required. In return for these benefits the Group is accepting a moderately reduced net margin on build to rent contracts with a lower sale price being partly offset by savings in selling expenses and interest costs.

During the year to 31 March 2017, the Group sold one small undeveloped site for £5.0 million. Similar to the two sites sold in the prior year for a total of £6.7 million, this sale is a result of a change in strategic direction where smaller sites have become less attractive to build out and the Group is able to leverage its greater operational size to focus on larger scale developments. The Group has also continued its programme of disposing of older freehold assets generating revenue of £4.9 million (2016: £1.7 million).

Gross profit has increased to £63.2 million from £63.1 million including the Group's share of joint ventures. Gross profit is stated after expensing loan interest that has been capitalised within inventories of £1.9 million (2016: £1.9 million) and, before charging this interest, the gross margin was 22.3 per cent compared to 26.5 per cent last year.

The decrease in gross profit margin was as expected with two main reasons for the reduction. Firstly, the margin achieved on open market sale completions of 25.4 per cent was lower than that achieved last year (2016: 27.3 per cent) but slightly ahead of the Group's target when appraising new sites of 24 per cent. The margin recognised on open market homes is expected to trend down towards the target margin over time as older developments which benefitted from more significant sales price inflation and minimal build cost inflation are replaced with sites appraised more recently.

Secondly, a greater proportion of the revenue this year is generated from build to rent contracts which attract a lower gross margin to compensate for the advantages of being forward funded and for savings in selling expenses and interest costs. The Group expects build to rent transactions to achieve a gross margin of approximately 12 to 13 per cent which represents the normal target margin of 24 per cent less savings in selling expenses and interest costs of circa 8 eight per cent and therefore a net difference of up to four per cent offset by a substantially improved return on capital. The margin achieved on the build to rent revenue recognised in the year to 31 March 2017 was well ahead of that target at 16.0 per cent due to some of the land being purchased at more advantageous rates prior to becoming part of the build to rent portfolio. Future build to rent margins are still expected to be around 12 to 13 per cent.

Administrative expenses have increased to £20.8 million (2016: £19.3 million) including the Group's share of joint ventures and £20.7 million excluding joint ventures (2016: £19.1 million). This increase is mainly due to higher employee costs as the Group continues to recruit and reward the talent required to establish a structure appropriate for growth. As a percentage of revenue administrative expenses remain consistent year on year at circa seven per cent.

Selling expenses have reduced significantly to £5.1 million (2016: £9.4 million) including the Group's share of joint ventures and £4.1 million excluding the Group's share of joint ventures (2016: £9.2 million). This reduction is partly due to the lower number of open market completions but also reflects the Group's move towards build to rent which has reduced the number of homes available to sell on the open market. During the year, there was only one significant launch, City North, incurring selling expenses of £0.9 million, compared to three launches in the previous year which resulted in combined selling expenses of £4.5 million. The homes sold under the three build to rent contracts entered into during the year would previously have been anticipated to be sold on the open market at some point over the next few years and therefore the build to rent transactions will generate significant sales cost savings over the same period.

The Group's operating margin, calculated before interest and the costs associated with the United House acquisition in the prior year, reduced to 13.4 per cent (2016: 15.0 per cent).

This reduction is due to the increased proportion of build to rent profit this year which also generates interest cost savings below the operating margin line.

Profit before tax including the Group's share of joint ventures has increased to a record high of £34.1 million from £32.2 million and to £34.6 million excluding the Group's share of joint ventures (2016: £32.3 million). The Board expects the year to 31 March 2018 to show significant growth in pre-tax profits and again in the following year. A large proportion of this growth is already visible due to the scale of the development pipeline and the Group's substantial forward sold position.

Finance costs

Finance costs actually incurred in the year, including the Group's share of joint ventures increased to £5.3 million (2016: £4.5 million) and reduced to £4.3 million excluding the Group's share of joint ventures (2016: £4.4 million)

Average borrowings in the year were higher at £55.1 million (2016: £50.6 million) with the interest charged on these borrowings of £2.2 million (2016: £2.2 million) being capitalised into work in progress as required by IAS 23.

Finance costs charged directly to the income statement primarily consist of amortised arrangement fees and non-utilisation fees on the Group's £180 million revolving credit facility and the new £110 million facility with LaSalle Residential Finance Fund secured in July 2016 to fund our joint venture scheme, City North. Non-utilisation fees including our share of joint ventures have increased to £2.5 million (2016: £1.7 million) of which £1.6 million is attributable to the revolving credit facility (2016: £1.7 million) and £0.9 million to the City North facility (2016: £nil).

Dividend

The Board's policy is to pay one third of earnings as dividends. Following the equity placing concluded in November 2015 the Board committed to paying a dividend equivalent to one third of earnings adjusted to remove the dilutive effect of the new shares for both the year to 31 March 2016 and the year to 31 March 2017. As a result, a final dividend of 8.5 pence per share has been proposed. Together with the 7.2 pence interim dividend paid on 6 January 2017 this makes the total dividend for the year 15.7 pence (2016: 14.2 pence). This equates to just over 40 per cent of earnings and delivers a yield of circa four per cent based on the share price at 31 March 2017. The final dividend is expected to be paid on 14 July 2017 to those shareholders on the register at the close of business on 16 June 2017.

Despite an increase in profit after tax, earnings per share has decreased from 39.3 pence to 36.8 pence. This is due to the equity placing which increased the number of shares in issue

throughout the year to 31 March 2017 but only for part of the previous year thereby increasing the weighted average number of shares in issue year on year.

Balance sheet and cash

Net assets at 31 March 2017 were £204.3 million, increased from £187.0 million last year mainly due to retained profits. This equates to net assets per share of 271.3 pence (31 March 2016: 249.8 pence). There has been a significant amount of investment in land and work in progress with inventories, including the Group's share of joint ventures, increasing from £285.6 million to £339.4 million. Excluding joint ventures inventories increased from £239.0 million to £287.7 million with the balance being recorded within investments in joint ventures.

Investment in joint ventures has increased from £42.1 million to £47.6 million. The increase is mainly a result of completing on the purchase of Gallions Quarter during the year. This is a joint venture with Notting Hill Housing Group and was part of the acquisition of the regeneration business of United House Developments in September 2015. Completion on this site was conditional on the satisfaction of certain conditions which were concluded on 28 July 2016.

The majority of the inventories balance is land and work in progress with minimal finished stock units due to our successful forward sales strategy. The Group does not typically land bank sites and therefore the vast majority of land held within inventories is under construction or is being progressed through the planning system. Included within inventories is £4.3 million of freehold assets held for future resale (2016: £5.7 million).

Land creditors, including the Group's share of joint ventures are £28.4 million (2016: £nil) and £26.9 million (2016: £nil) excluding joint ventures. Included within land creditors is £26.9 million in relation to a development site on Cambridge Heath Road, E2 where the Group has exchanged contracts with completion due upon vacant possession of the site expected in the next few months. The remaining land creditors relate to our share of the land payment for two of our joint venture sites, Balfron Tower £0.3 million and Gallions Quarter £1.1 million where the original land contracts include a deferred land payment mechanism.

The Group continues to secure forward sales and benefit from the deposits received in advance of those sales completing. The Group had secured £546 million in forward sales at 1 April 2017 which will be recognised in future years. This is comprised of £397 million in relation to individual open market contracts, £40 million of affordable housing revenue and £109 million of build to rent revenue.

Total deposits received in advance on the open market contracts secured as at 31 March 2017 reduced slightly to £68.1 million (2016: £70.3 million). Non-refundable deposits are paid on

exchange of contracts with a minimum 10 per cent received at that point and, where the Group is selling well ahead of completion, a further 10 per cent is paid 12 months after exchange. The full amount of any deposit paid is released to the Group to invest in the business.

Borrowings

The Group continues to fund its development costs through a combination of debt and equity and, despite significant investment in land and work in progress, net debt has reduced to £14.3 million (2016: £17.3 million). This is partly due to open market completion proceeds received during the year, but also deposits and upfront payments received on forward sales including build to rent contracts.

As a result, gearing has decreased to 7.0 per cent (March 2016: 9.3 per cent) and remains at a very low level for the Group. Gearing is anticipated to increase to enable the significant growth expected over the next few years. The rate of increase will depend on the timing of future land purchases and how much the business moves towards a build to rent model. The Board is comfortable with the potential for increased levels of debt and gearing given that many of the Group's developments have been substantially de-risked by the level of forward sales secured.

Telford Homes has a £180 million revolving credit facility which is available to fund developments that are not joint ventures. This facility, from a club of four banks, runs until March 2019 and is governed by standard corporate covenants together with site covenants on a portfolio basis. The margin payable on this facility varies from 2.8 per cent to 4 per cent over LIBOR depending on gearing. The Group has benefited from low gearing levels throughout the year and therefore the margin paid has been at the lower end of the range. As at 31 March 2017, the Group had drawn £55 million (2016: £40 million) of this facility leaving headroom of £135 million to fund future site acquisitions and construction costs.

Joint venture developments are funded outside of the revolving credit facility with site specific loans secured as and when required. In July 2016, the Group secured a £110 million facility with LaSalle Residential Finance Fund to fund its 50 per cent owned joint venture at City North and, in February 2017, it signed a £33 million facility with Williams and Glyn to fund Balfron Tower in which the Group has a 25 per cent stake. The Group's joint venture with Notting Hill Housing Group at New Garden Quarter is not expected to require any external debt finance due to a proportion of the development being sold for build to rent.

The Group has excellent long term relationships and is well supported by the banks that fund the revolving credit facility. The Board is pleased to have added to these relationships with the new institutions involved in the facilities signed during the year. Telford Homes is in a

strong financial position with significant headroom within existing debt facilities and equity available to enable the growth targeted over the next few years.

Katie Rogers
Group Financial Director
30 May 2017

GROUP INCOME STATEMENT INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS FOR THE YEAR ENDED 31 MARCH 2017

	Non-GAAP Year ended 31 March 2017 £000	Non-GAAP Year ended 31 March 2016 £000
Revenue	**291,921**	**245,581**
Cost of sales	(228,720)	(182,438)
Gross profit	**63,201**	**63,143**
Administrative expenses	(20,805)	(19,250)
Selling expenses	(5,091)	(9,365)
Operating profit	**37,305**	**34,528**
Finance income	160	153
Finance costs	(3,337)	(2,478)
Profit before income tax	**34,128**	**32,203**
Income tax expense	(6,609)	(6,477)
Profit after income tax	**27,519**	**25,726**

GROUP BALANCE SHEET INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS AT 31 MARCH 2017

	Non-GAAP 31 March 2017 £000	Non-GAAP 31 March 2016 £000
Non current assets		
Goodwill	818	383
Property, plant and equipment	1,272	1,485
Trade and other receivables	100	-
Deferred income tax assets	-	230
	2,190	2,098
Current assets		
Inventories	339,380	285,610
Trade and other receivables	42,893	31,362
Cash and cash equivalents	39,834	20,856
	422,107	337,828
Total assets	**424,297**	**339,926**
Non current liabilities		
Trade and other payables	(1,527)	(1,358)
Financial liabilities	(1,096)	(661)
Deferred income tax liabilities	(194)	-
	(2,817)	(2,019)
Current liabilities		
Trade and other payables	(159,878)	(109,363)
Borrowings	(54,085)	(38,182)
Financial liabilities	-	(194)
Current income tax liabilities	(3,232)	(3,198)
	(217,195)	(150,937)
Total liabilities	**(220,012)**	**(152,956)**
Net assets	**204,285**	**186,970**
Capital and reserves		
Issued share capital	7,529	7,485
Share premium	107,395	106,423
Retained earnings	89,361	73,062
Total equity	**204,285**	**186,970**

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Year Ended 31 March 2017 £000	Year Ended 31 March 2016 £000
Total revenue		**291,921**	**245,581**
Less share of revenue from joint ventures		(25,946)	(2,902)
Group revenue		**265,975**	**242,679**
Cost of sales		(208,966)	(180,869)
Gross profit		**57,009**	**61,810**
Administrative expenses		(20,727)	(19,056)
Selling expenses		(4,143)	(9,177)
Share of results of joint ventures		4,634	965
Operating profit		**36,773**	**34,542**
Finance income		90	117
Finance costs		(2,231)	(2,344)
Profit before income tax		**34,632**	**32,315**
Income tax expense	**3**	(7,113)	(6,589)
Profit after income tax		**27,519**	**25,726**
Earnings per share:			
Basic	**5**	36.8p	39.3p
Diluted	**5**	36.6p	38.9p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Movement in derivative financial instruments hedged	(241)	(466)
Movement in deferred tax on derivative financial instruments hedged	37	93
Other comprehensive expense net of tax (items that may be subsequently reclassified into profit or loss)	**(204)**	**(373)**
Profit for the year	27,519	25,726
Total comprehensive income for the year	**27,315**	**25,353**

GROUP BALANCE SHEET
AT 31 MARCH 2017

	31 March 2017 £000	31 March 2016 £000
Non current assets		
Goodwill	289	304
Investment in joint ventures	47,554	42,101
Property, plant and equipment	1,272	1,485
Trade and other receivables	100	-
Deferred income tax assets	-	190
	49,215	44,080
Current assets		
Inventories	287,652	238,976
Trade and other receivables	38,288	31,662
Cash and cash equivalents	38,629	20,709
	364,569	291,347
Total assets	**413,784**	**335,427**
Non current liabilities		
Trade and other payables	(1,527)	(1,358)
Financial liabilities	(1,096)	(661)
Deferred income tax liabilities	(323)	-
	(2,946)	(2,019)
Current liabilities		
Trade and other payables	(149,516)	(104,871)
Borrowings	(53,805)	(38,182)
Financial liabilities	-	(194)
Current income tax liabilities	(3,232)	(3,191)
	(206,553)	(146,438)
Total liabilities	**(209,499)**	**(148,457)**
Net assets	**204,285**	**186,970**
Capital and reserves		
Issued share capital	7,529	7,485
Share premium	107,395	106,423
Retained earnings	89,361	73,062
Total equity	**204,285**	**186,970**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2015	**6,025**	**58,551**	**55,812**	**120,388**
Profit for the year	-	-	25,726	25,726
Total other comprehensive expense	-	-	(373)	(373)
Movement in excess tax on share options	-	-	(75)	(75)
Dividend on equity shares	-	-	(8,443)	(8,443)
Proceeds of equity share issues	1,460	47,872	-	49,332
Share-based payments	-	-	218	218
Purchase of own shares	-	-	(598)	(598)
Sale of own shares	-	-	795	795
Balance at 31 March 2016	**7,485**	**106,423**	**73,062**	**186,970**
Profit for the year	-	-	27,519	27,519
Total other comprehensive expense	-	-	(204)	(204)
Movement in excess tax on share options	-	-	(5)	(5)
Dividend on equity shares	-	-	(11,135)	(11,135)
Proceeds of equity share issues	44	972	-	1,016
Share-based payments	-	-	255	255
Purchase of own shares	-	-	(860)	(860)
Sale of own shares	-	-	729	729
Balance at 31 March 2017	**7,529**	**107,395**	**89,361**	**204,285**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Cash flow from operating activities		
Operating profit	36,773	34,542
Depreciation	599	610
Write down in value of own shares	255	218
Profit on sale of tangible assets	(20)	(44)
(Increase) decrease in inventories	(46,525)	17,914
Increase in receivables	(6,726)	(19,969)
Increase in payables	44,953	11,499
Share of results from joint ventures	(4,634)	(965)
	24,675	43,805
Interest paid and debt issue costs	(3,898)	(4,017)
Income taxes paid	(6,511)	(5,468)
Cash flow from operating activities	**14,266**	**34,320**
Cash flow from investing activities		
Distribution from joint ventures	12,045	5,750
Investment in joint ventures	(9,308)	(25,638)
Purchase of tangible assets	(387)	(1,067)
Proceeds from sale of tangible assets	20	44
Consideration paid for business combination	(3,556)	(18,562)
Interest received	90	117
Cash flow from investing activities	**(1,096)**	**(39,356)**
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	1,016	49,332
Purchase of own shares	(860)	(598)
Sale of own shares	729	795
Increase in bank loans	15,000	-
Repayment of bank loans	-	(55,000)
Dividend paid	(11,135)	(8,443)
Cash flow from financing activities	**4,750**	**(13,914)**
Net increase (decrease) in cash and cash equivalents	**17,920**	**(18,950)**
Cash and cash equivalents brought forward	20,709	39,659
Cash and cash equivalents carried forward	**38,629**	**20,709**

NOTES

1 Basis of preparation

The financial information set out above does not constitute statutory accounts for the years ended 31 March 2017 and 31 March 2016 but is derived from those accounts. Statutory accounts for the year ended 31 March 2016 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2017 will be delivered to the Registrar of Companies and sent to all shareholders shortly. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The Group adopted IFRS 10, IFRS 11, IFRS 12 and IAS 28 (revised) from 1 April 2014 and as a result, proportional consolidation of joint venture results is no longer allowed. Under these accounting standards, key line items such as statutory revenue, cost of sales, inventory and debt no longer include the Group's portion of joint venture balances. Instead, the Group's share of the statutory results from joint ventures is accounted for under the equity method. Therefore the Group's share of the results in joint ventures is presented in one line in the income statement and the statutory balance sheet includes one line representing the Group's investment in joint ventures.

Joint ventures are an integral part of the business and the Board has included an income statement and a balance sheet using proportional consolidation for the results of joint ventures within the Group's financial statements. These are presented in addition to the Generally Accepted Accounting Principles (GAAP) compliant versions of the income statement and balance sheet which present joint ventures as equity investments.

The statutory accounts for the year ended 31 March 2017, including the comparative information for the year ended 31 March 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The directors have assessed the Group's projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group remains well placed to manage its business risks successfully. After making appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the statutory accounts for the year ended 31 March 2017.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of uncertainty were principally the same as those applied to the Group's financial statements as at 31 March 2016.

2 Accounting policies

Accounting convention

The statutory accounts for the year ended 31 March 2017 have been prepared under historical cost convention as modified for reassessment of derivatives at fair value and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2016. The accounting policies will be disclosed in full within the Group's forthcoming financial statements.

3 Taxation

Taxation has been calculated on the profit for the year ended 31 March 2017 at the estimated effective tax rate of 20.5 per cent (2016: 20.4 per cent).

4 Dividend paid

	Year ended 31 March 2017 £000	Year ended 31 March 2016 £000
Prior year final dividend paid in July 2016 of 7.7p (July 2015: 6.0p)	5,746	3,618
Interim dividend paid in January 2017 of 7.2p (January 2016: 6.5p)	5,389	4,825
	11,135	**8,443**

The final dividend proposed for the year ended 31 March 2017 is 8.5 pence per ordinary share. This dividend was declared after 31 March 2017 and as such the liability of £6.4 million has not been recognised at that date.

5 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the Share Incentive Plan. For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

Earnings per share have been calculated using the following figures:

	Year ended 31 March 2017	Year ended 31 March 2016
Weighted average number of shares in issue	74,716,939	65,498,340
Dilution - effect of share schemes	395,643	572,176
Diluted weighted average number of shares in issue	75,112,582	66,070,516
Profit on ordinary activities after taxation	£27,519,000	£25,726,000
Earnings per share:		
Basic	36.8p	39.3p
Diluted	36.6p	38.9p

6 Segmental reporting

The Group has only one reportable segment, being housebuilding in the United Kingdom. Financial analysis is presented to the chief operating decision makers of the Group, being the Board of directors, on a site by site basis. It is on this basis that the Board makes decisions as to the allocation of resources and assesses the Group's performance. The information is aggregated and presented as one reportable segment given the sites share similar economic characteristics.

Management information is presented to the Board of directors with the Group's share of joint venture results proportionally consolidated to reflect the true underlying performance of the Group and the importance of joint ventures to the business. The results disclosed within the Group's financial statements do not proportionally consolidate joint venture results and instead they are accounted for on an equity basis. A reconciliation between management information and the Generally Accepted Accounting Principles (GAAP) compliant information in the financial statements is as follows:

Year ended 31 March 2017	**Management Information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	291,921	(25,946)	265,975
Cost of sales	(228,720)	19,754	(208,966)
Gross profit	63,201	(6,192)	57,009
Administrative expenses	(20,805)	78	(20,727)
Selling expenses	(5,091)	948	(4,143)
Share of results of joint ventures	-	4,634	4,634
Operating profit	37,305	(532)	36,773
Net finance costs	(3,177)	1,036	(2,141)
Profit before income tax	34,128	504	34,632
Income tax expense	(6,609)	(504)	(7,113)
Profit after income tax	**27,519**	**-**	**27,519**
Inventories	339,380	(51,728)	287,652
Other assets	84,917	41,215	126,132
Total liabilities	(220,012)	10,513	(209,499)
Net assets	**204,285**	**-**	**204,285**

Year ended 31 March 2016	Management Information £000	Remove share of joint ventures £000	GAAP £000
Revenue	245,581	(2,902)	242,679
Cost of sales	(182,438)	1,569	(180,869)
Gross profit	63,143	(1,333)	61,810
Administrative expenses	(19,250)	194	(19,056)
Selling expenses	(9,365)	188	(9,177)
Share of results of joint ventures	-	965	965
Operating profit	34,528	14	34,542
Net finance costs	(2,325)	98	(2,227)
Profit before income tax	32,203	112	32,315
Income tax expense	(6,477)	(112)	(6,589)
Profit after income tax	**25,726**	**-**	**25,726**
Inventories	285,610	(46,634)	238,976
Other assets	54,316	42,135	96,451
Total liabilities	(152,956)	4,499	(148,457)
Net assets	**186,970**	**-**	**186,970**

7 Business combinations

On 30 June 2015, the Group acquired and took control of the regeneration business of United House Developments ('UHD') from United House Group Holdings Limited ('UHGHL'). The regeneration business of UHD consists of a group of companies that have various interests in four significant development opportunities in North and East London.

Completion of one of the developments, Gallions Quarter, was conditional on UHGHL securing a legal interest in the site. On 28 July 2016 those conditions were met and the Group completed its acquisition of Gallions Quarter. The consideration for the business combination as at 28 July 2016 was £3.56 million.

The consideration paid for the acquisition, the fair value of the assets acquired and liabilities assumed at the acquisition date is as follows:

Consideration as at 28 July 2016

	£000
Cash	3,556
Total consideration paid	**3,556**

Recognised amounts of identifiable assets acquired and liabilities assumed which were consolidated as at 28 July 2016 were:

Non current assets	**£000**
Investments in joint ventures	3,556
Total fair value of net assets	**3,556**

Acquisition related costs of £18,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 March 2017. Revenue and profit recognised since the date of acquisition are minimal and not significant to the Group.

The fair value of inventories acquired including the Group's share of joint venture inventories was £3,556,000. The method for determining the fair value of inventory is to use the expected selling price less costs to complete, costs of disposal and expected margin for each development.

- ENDS -