Press Release **30 November 2016**

Telford Homes Plc

("Telford Homes" or the "Group")

Interim Results

Telford Homes Plc (AIM:TEF), the residential property developer focused on non-prime London, today announces its interim results for the six months ended 30 September 2016 ("H1 2017").

Highlights

- Strong forward sold position exceeding £700 million of revenue to be recognised from the year to 31 March 2017 onwards (1 April 2016: £579 million)
- Long term imbalance between the supply of homes and demand for somewhere to live in non-prime areas of London
- Successful off-plan launch of City North, Finsbury Park in November 2016 selling 72 homes over three weekends for a combined value in excess of £43 million
- Increased opportunities in the 'build to rent' sector earning higher capital returns
- No changes to the Group's growth targets, profit forecasts or anticipated dividend payments as a result of the EU referendum
- With revenues weighted to the second half the Board is confident of meeting market expectations for pre-tax profits in the year to 31 March 2017
- Increased interim dividend to 7.2 pence (H1 2016: 6.5 pence) to reflect this confidence
- Substantial development pipeline of over £1.4 billion of future revenue
- Cautious approach to land investment in the last few months but a significant joint venture site in East London now being progressed and many more opportunities being appraised
- Gearing still historically low at 17.3 per cent (31 March 2016: 9.2 per cent)
- Well positioned to deliver on targets to exceed £50 million of annual pre-tax profit by 31 March 2019 and double the size of the business over the next five years

Jon Di-Stefano, Chief Executive of Telford Homes, commented: “Telford Homes is in a very strong position with over £700 million of forward sales secured and a substantial development pipeline. The recent launch of City North in Finsbury Park exceeded our expectations achieving over 70 sales at higher than anticipated prices and proving that the right product in the right location remains attractive to buyers.”

“The Group is extending its involvement in the build to rent sector and expects an increasing number of opportunities to secure revenues and earn higher capital returns through forward funding arrangements with institutional investors. Overall we are well positioned to deliver on our targets of achieving more than £50 million of annual pre-tax profit by 31 March 2019 and doubling the size of the business over the next five years.”

- Ends -

For further information:

Telford Homes Plc

Jon Di-Stefano, Chief Executive — Tel: +44 (0) 1992 809 800

Katie Rogers, Financial Director — www.telfordhomes.london

Shore Capital – Nomad and Joint Broker

Dru Danford / Patrick Castle — Tel: +44 (0) 20 7408 4090

Peel Hunt LLP – Joint Broker

Charles Batten / Capel Irwin — Tel: +44 (0) 20 7418 8900

Media enquiries:

Buchanan

Henry Harrison-Topham / Victoria Hayns — Tel: +44 (0) 20 7466 5000

telfordhomes@buchanan.uk.com — www.buchanan.uk.com

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.london.

CHIEF EXECUTIVE'S STATEMENT

Telford Homes is focused on residential development in non-prime London and the Group's view of that market remains positive particularly in the light of recent trading. Longer term the Group aspires to double in size over the next five years and this target is underpinned by a fundamental lack of supply of new homes in London compared to significant demand from prospective owners and tenants.

Part of this growth is expected to be driven by an increased proportion of sales to the 'build to rent' sector. There is an encouraging and widening level of interest from investors in the sector which is presenting some potentially exciting partnership opportunities.

The outcome of the EU referendum in June 2016 created some ripples in the economy, and in the housing market, but underlying demand has not diminished. The Group is delighted to report that its recent launch of the second phase of City North in Finsbury Park has shown that an excellent product in a desirable location remains highly sought after. Since the start of November 2016 the Group has sold 72 homes at City North with a combined value of over £43 million, to investors in the UK and Asia, adding further support to the Board's long term confidence in the market. There has been no need to revise the Group's growth targets, profit forecasts or anticipated dividend payments and Telford Homes remains in a strong position to deliver on those targets over the next few years.

Results for the six months ended 30 September 2016

The Group's reported profits in any period are partly driven by the number of open market completions achieved and, as anticipated, there were far fewer of these in H1 2017 than H1 2016. The results for the year to 31 March 2017 will therefore be weighted towards the second half of the year with a greater number of completions expected to occur in that period in contrast to the opposite position last year. These variations between half years are entirely down to development timings which are all on track and in accordance with the original programmes but do not always fall evenly across the year.

The number of open market completions in the six months to 30 September 2016 was 85, down from 282 last year. Some of that reduction has been offset by ongoing profit recognition on an increased number of affordable homes under construction and the Group's two current build to rent or Private Rented Sector (PRS) contracts. In the two months since the half year end the Group has achieved legal completion on over 100 additional open market homes and is pleased to confirm that there have been no issues with customers completing the purchase of homes contracted in previous years. This is unsurprising given the deposits already taken, typically 20 per cent, and that tenant demand remains very strong. At Horizons, E14, the Group has handed over 128 open market apartments in the last four months and already more than two thirds of those are occupied. There remains no hint of investors deliberately leaving properties in non-prime London empty.

As a result of the balance of completions across the year, revenue, including the Group's share of joint ventures, was £104.3 million (H1 2016: £139.6 million) with gross profit reducing to £22.4 million (H1 2016: £37.5 million). Gross profit is stated after expensing loan interest that has been capitalised within inventories and, adjusting for that interest, the gross profit margin achieved in the six months to 30 September 2016 was 22.0 per cent (year to 31 March 2016: 26.5 per cent).

The gross margin for the period incorporates the Group's recently contracted build to rent schemes which attract limited sales or finance costs and deliver a higher return on capital. The Group usually targets a gross margin before sales and finance costs of 24 per cent and after those costs this reduces to 16 per cent. Build to rent contracts are typically 'forward funding' arrangements and, as a result of this beneficial payment profile, the Group anticipates earning a gross margin of around 12 to 13 per cent on these developments.

The margin recognised on build to rent schemes in the six months to 30 September 2016 was 12.8 per cent leaving a residual gross margin on open market sale developments of 25.2 per cent before sales and finance costs. This margin remains above target despite a large proportion of revenue in the first half arising from the Group's Horizons development where a lower margin was accepted on the land purchase in return for land payments being made primarily from completion proceeds. The original target for Horizons has been substantially exceeded due to a favourable balance between sales price inflation and cost inflation over the life of the development.

Over the last two years sales price inflation has slowed to a moderate but stable rate in low single digits differing slightly across specific locations. Build cost inflation is still evident but this has also moderated and remains in line with the Board's expectations. The Group minimises its exposure by placing orders with subcontractors at an early stage in the development programme and, where this is not realistic, inflationary allowances are incorporated into forecasts. The Group also monitors trends in labour and material costs and if feasible reacts by adapting construction to minimise reliance on a particular trade or material. There have been statistical indications of lower numbers of construction starts in recent months and, whilst this is not good news for the overall need for homes, it should reduce any residual pressure on the availability of resources and their associated costs.

Administrative expenses of £10.0 million have increased against the same period last year (H1 2016: £9.6 million) mainly due to higher employee costs as the Group continues to grow its operational capability. Selling expenses have significantly reduced to £2.1 million (H1 2016: £5.8 million) primarily as a result of fewer sales launches in the first half of the year whilst the Group took a cautious approach to the outcome of the EU vote. Selling expenses are written off as incurred and are heavily influenced by the timing of individual sales launches and the number of open market completions.

The operating margin for the six months to 30 September 2016, before charging any interest, reduced to 10.4 per cent (year to 31 March 2016: 15.0 per cent) mainly due to the balance of gross profits recognised in the first half of the year versus those anticipated in the second half.

Net finance costs have increased slightly to £1.3 million (H1 2016: £1.1 million). These are mainly comprised of non-utilisation fees on the Group's £180 million bank facility, where there has been less need to drawdown due to the scale of deposits received from forward sales, and continued amortisation of facility fees.

Profit before tax for the six months to 30 September 2016 is £9.0 million compared to £21.0 million last year and £32.2 million for the year to 31 March 2016. As stated above this reduction is due entirely to development timings and, given recent trading, the Board remains confident of meeting current market expectations for reported profits in the year to 31 March 2017. In addition, Telford Homes is making significant progress towards delivering on the Board's longer term growth targets including increasing annual pre-tax profits to exceed £50 million by 31 March 2019.

Dividend

The Board is pleased to declare an increase in the interim dividend to 7.2 pence per share (H1 2016: 6.5 pence). The Board's current policy is to pay one third of earnings as dividends in each financial year, ignoring the weighting of profits between half years. However in respect of the year to 31 March 2017 the Board has previously stated that it intends to increase dividend payments above the current policy to offset the dilution in earnings caused by the share placing in late 2015. Therefore the interim dividend together with the full year dividend payable in July 2017 will equate to more than one third of earnings for this financial year.

The interim dividend will be paid on 6 January 2017 to those shareholders on the register at the close of business on 9 December 2016. The ex-dividend date is therefore 8 December 2016.

London market and sales strategy

London continues to hold its position as a secure and prosperous place to live, work and invest and yet there are not enough homes to meet increasing demand. Telford Homes is focused on growing its output to meet some of that excess demand over the next few years whilst ensuring that the Group continues to produce an attractive product in well-connected locations and at the right price. The Group's target price range is between £500 and £900 per square foot concentrated in non-prime areas of London. Property priced much above this range is less affordable for owners or investors and less desirable for the majority of prospective tenants.

The Group's sales strategy is to target forward sales wherever possible giving certainty over future cash flows and immediate benefits in terms of deposits received. At 30 September 2016 the Group had taken £79.5 million of deposits in advance of future completions, up from £70.3 million at 31 March 2016, therefore reducing the need to drawdown debt finance.

This strategy to forward sell has been complemented during 2016 by the build to rent development sales to L&Q and M&G Real Estate. As a result the Group has secured a substantial forward sold position which, including the revenue recognised in the first half of the year, exceeds £700 million of revenue to be recognised from the year to 31 March 2017 onwards (at 1 April 2016: £579 million). This strong position gives the Board significant visibility over future revenue and profits and allows the Group to take a measured approach to future sales including potentially holding the availability of some developments for owner-occupiers benefiting from the enhanced London 'Help to Buy' product.

Sales performance

In the last three months the Group has experienced increased sales activity in respect of residual availability across a number of developments. Greater interest levels and more visitors to the Stratford sales centre have resulted in an increased number of reservations. Sales secured in recent months include three penthouse apartments at Horizons with an average price exceeding £1 million and therefore well in excess of the Group's usual range.

Following the EU referendum in June 2016 the Group held back any significant sales launches whilst waiting for the immediate reaction to the outcome to become calmer. Although there is still uncertainty around the impact of leaving the EU, the market has settled in recent weeks and in early November 2016 the Group launched the second phase of City North in Finsbury Park, a joint development with The Business Design Centre in Islington. City North is a development of 355 new homes together with a substantial commercial hub and incorporates a new entrance to Finsbury Park station. The Group purchased its interest in the development from United House and went into the launch with 161 of the 308 open market homes already secured through previous sales activity.

The November 2016 launch has surpassed the Board's expectations and in the space of three weekends the Group sold a further 72 homes with a combined sales value in excess of £43 million. This means that over £110 million of open market revenue has now been secured on this development with final completions not due until 2020. The new sales were primarily to investors from the UK, China and Hong Kong with strong interest in each of those locations.

Normal 'launch discounts' were applied but the net pricing achieved at City North was ahead of expectations with the average achieved price being £860 per square foot, which is near to the top end of the Group's price range. The Group has not needed to discount prices below anticipated levels on any of its developments in contrast to the current market conditions for more expensive properties elsewhere in London.

The success of this launch is down to a number of factors including the specific attractions of City North, Telford Homes' excellent reputation with investors in the UK and especially overseas and to some extent favourable exchange rates. However, the fundamental reason remains that rental demand is strong and growing such that the Group's typical product represents an attractive investment opportunity.

Build to rent

PRS or build to rent is now a significant focus for Telford Homes following the sale of The Pavilions, N1, to a subsidiary of L&Q and Carmen Street, E14, to M&G Real Estate. The Group is very close to exchanging contracts on a third transaction and has recently commenced discussions on a fourth alongside looking at a number of options for partnership working outside of the existing development pipeline.

Build to rent has many attractions to the Group along with the usual forward sale benefits of securing revenues and cash flows at an early stage. The transactions are typically forward funded and hence need no debt and limited equity resulting in significantly enhanced returns on capital employed. This enables the Group to strike a balance between reducing its overall requirement for debt finance and increasing the rate of growth of the business by using these resources elsewhere. In addition, the Board expects future tenant demand to move towards the bespoke service offering of a large scale investor as this becomes more prevalent as a choice in London. Finally, government support for the sector is increasing and in the longer term this may result in build to rent partnerships being more successful in acquiring land and achieving planning consents.

There has been a noticeable expansion in interest in the sector from a larger number of institutional investors and as such there appears to be a greater financial appetite for well-located opportunities. This is positive for the Group's strategy to expand its build to rent operations. Telford Homes represents a valuable partner for large scale investors given that the Group has the skills required to find land, achieve planning consents and manage and control all construction work rather than using main contractors. These skills, coupled with a reputation for delivering a quality product on programme, will assist the Group when considering the potential for longer term partnerships that will benefit both an institutional investor and Telford Homes.

Development pipeline and planning

The Group has a strong and accelerated development pipeline as a result of the purchase of the regeneration business of United House in September 2015. Resources are in place to add to that pipeline when required due to the £50 million equity placing in 2015. However in the run up to the EU referendum and thereafter the Group has taken a more selective approach to prospective acquisitions without changing its target locations, price range or anticipated profit margins. Despite this the Group is currently progressing the purchase of a significant site in East London alongside a joint venture partner and is in discussions on several other opportunities.

The Group's development pipeline at 30 September 2016 represented £1.42 billion of future revenue to be recognised by Telford Homes and comprised over 4,000 homes including joint ventures. The average anticipated price of open market homes in the Group's future development pipeline is £517,000 which remains well within the Board's desired price range ensuring future developments are within the reach of a broad range of owners, investors and tenants.

The Group welcomes the recent suggestion from the GLA that future developments that can deliver 35 per cent affordable housing may not require a viability study to be undertaken. Many sites in London can deliver this quantum of affordable housing and in these cases viability studies are currently wasting time and money for both developers and councils.

Debt and equity

Net debt has increased to £32.7 million at 30 September 2016 (31 March 2016: £17.3 million) due to the Group's investment in work in progress in the first half of the year and lower numbers of open market completions partially offset by an increase in deposits received on forward sales. As a result, gearing has increased to 17.3 per cent at 30 September 2016 (31 March 2016: 9.2 per cent) although this is still at a very low level historically for the Group with gearing one year ago standing at 37.3 per cent prior to the equity placing.

The Group had drawn debt of £55.0 million at 30 September 2016 from its £180 million revolving credit facility, leaving headroom of £125.0 million to fund future site acquisitions and construction costs on existing developments. The facility extends to March 2019 and the Group expects to utilise it over the next few years as the business continues to grow. This 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 given that many of the Group's developments have been substantially de-risked by the level of forward sales secured.

Telford Homes is being well supported by the banks that fund the revolving credit facility and has maintained excellent relationships with each of them. This has led to the Group having the flexibility to move quickly to secure site acquisitions when necessary. In addition the Group secured a £110 million facility to fund City North with LaSalle Residential Finance Fund in July 2016.

Outlook

The Board is confident in the outlook for Telford Homes, both short and long term, given favourable housing market dynamics and the Group's concentration on building the right product in the right locations and at the right price. Forward sales stand at over £700 million and demand remains strong from both owners and tenants. The success of the City North launch underpins the Group's forward selling strategy and demonstrates an ability to continue to achieve sales at future launches.

Telford Homes has a reputation for forming long lasting beneficial partnerships with landowners, local authorities and affordable housing providers. This has now been extended to the build to rent sector which will be a significant growth area for housing in London and is likely to lead to some exciting opportunities in the next few years.

In summary the Group is well placed to deliver on the Board's targets to exceed £50 million of annual pre-tax profit by the year to 31 March 2019 and to double the size of the business over the next five years.

Jon Di-Stefano
Chief Executive
29 November 2016

GROUP INCOME STATEMENT INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Non-GAAP 6 months ended 30 September 2016 £000	Non-GAAP 6 months ended 30 September 2015 £000	Non-GAAP Year ended 31 March 2016 £000
Revenue	**104,349**	**139,584**	**245,581**
Cost of sales	(81,956)	(102,100)	(182,438)
Gross profit	**22,393**	**37,484**	**63,143**
Administrative expenses	(9,967)	(9,584)	(19,250)
Selling expenses	(2,094)	(5,828)	(9,365)
Operating profit	**10,332**	**22,072**	**34,528**
Finance income	78	101	153
Finance costs	(1,395)	(1,203)	(2,478)
Profit before income tax	**9,015**	**20,970**	**32,203**
Income tax expense	(1,607)	(4,149)	(6,477)
Profit after income tax	**7,408**	**16,821**	**25,726**

Key management information is presented to the Board with the Group's share of joint venture results proportionally consolidated and therefore including the relevant share of the results of joint ventures in each line of the income statement and balance sheet. The Group's joint ventures are an integral part of the business and as such the Board believes that the financial results presented in this way are the most appropriate for assessing the true underlying performance of the business. The key metrics included within the Chief Executive's Statement are therefore reported on this basis. A reconciliation between key management information and Generally Accepted Accounting Principles (GAAP) compliant information accounting for joint ventures under IFRS 11 as equity accounted investments is included in note 6.

GROUP BALANCE SHEET INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS AT 30 SEPTEMBER 2016

	Non-GAAP 30 September 2016 £000	Non-GAAP 30 September 2015 £000	Non-GAAP 31 March 2016 £000
Non current assets			
Goodwill	818	383	383
Property, plant and equipment	1,232	1,547	1,485
Deferred income tax assets	80	390	230
	2,130	2.320	2,098
Current assets			
Inventories	324,450	290,801	285,610
Trade and other receivables	32,242	16,777	31,362
Cash and cash equivalents	20,756	12,482	20,856
	377,448	320,060	337,828
Total assets	**379,578**	**322,380**	**339,926**
Non current liabilities			
Trade and other payables	(1,439)	(737)	(1,358)
Financial liabilities	(1,664)	(300)	(661)
	(3,103)	(1,037)	(2,019)
Current liabilities			
Trade and other payables	(132,496)	(119,721)	(109,363)
Borrowings	(53,476)	(62,853)	(38,182)
Financial liabilities	-	-	(194)
Current income tax liabilities	(1,893)	(3,832)	(3,198)
	(187,865)	(186,406)	(150,937)
Total liabilities	**(190,968)**	**(187,443)**	**(152,956)**
Net assets	**188,610**	**134,937**	**186,970**
Capital and reserves			
Issued share capital	7,499	6,065	7,485
Share premium	106,526	58,831	106,423
Retained earnings	74,585	70,041	73,062
Total equity	**188,610**	**134,937**	**186,970**

GROUP INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Note	Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited Year ended 31 March 2016 £000
Total revenue		**104,349**	**139,584**	**245,581**
Less share of revenue from joint ventures		(5,263)	(834)	(2,902)
Group revenue		**99,086**	**138,750**	**242,679**
Cost of sales		(77,965)	(101,693)	(180,869)
Gross profit		**21,121**	**37,057**	**61,810**
Administrative expenses		(9,944)	(9,556)	(19,056)
Selling expenses		(2,021)	(5,832)	(9,177)
Share of results of joint ventures		1,164	444	965
Operating profit		**10,320**	**22,113**	**34,542**
Finance income		51	100	117
Finance costs		(1,095)	(1,187)	(2,344)
Profit before income tax		**9,276**	**21,026**	**32,315**
Income tax expense	3	(1,868)	(4,205)	(6,589)
Profit after income tax		**7,408**	**16,821**	**25,726**
Earnings per share:				
Basic	5	9.9p	28.0p	39.3p
Diluted	5	9.9p	27.7p	38.9p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited Year ended 31 March 2016 £000
Movement in derivative financial instruments hedged	(809)	89	(466)
Movement in deferred tax on derivative financial instruments hedged	145	(18)	93
Other comprehensive (expense) income net of tax (items that may subsequently be reclassified into profit or loss)	**(664)**	**71**	**(373)**
Profit for the period	7,408	16,821	25,726
Total comprehensive income for the period	**6,744**	**16,892**	**25,353**

GROUP BALANCE SHEET
AT 30 SEPTEMBER 2016

	Unaudited 30 September 2016 £000	Unaudited 30 September 2015 £000	Audited 31 March 2016 £000
Non current assets			
Goodwill	289	304	304
Investments in joint ventures	52,409	19,576	42,101
Property, plant and equipment	1,232	1,547	1,485
Deferred income tax assets	226	413	190
	54,156	21,840	44,080
Current assets			
Inventories	269,547	246,969	238,976
Trade and other receivables	31,815	16,980	31,662
Cash and cash equivalents	15,586	11,976	20,709
	316,948	275,925	291,347
Total assets	**371,104**	**297,765**	**335,427**
Non current liabilities			
Trade and other payables	(1,439)	(737)	(1,358)
Financial liabilities	(1,664)	(300)	(661)
	(3,103)	(1,037)	(2,019)
Current liabilities			
Trade and other payables	(124,022)	(95,106)	(104,871)
Borrowings	(53,476)	(62,853)	(38,182)
Financial liabilities	-	-	(194)
Current income tax liabilities	(1,893)	(3,832)	(3,191)
	(179,391)	(161,791)	(146,438)
Total liabilities	**(182,494)**	**(162,828)**	**(148,457)**
Net assets	**188,610**	**134,937**	**186,970**
Capital and reserves			
Issued share capital	7,499	6,065	7,485
Share premium	106,526	58,831	106,423
Retained earnings	74,585	70,041	73,062
Total equity	**188,610**	**134,937**	**186,970**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016 (UNAUDITED)

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	**7,485**	**106,423**	**73,062**	**186,970**
Profit for the period	-	-	7,408	7,408
Total other comprehensive expense	-	-	(664)	(664)
Excess tax on share options	-	-	(66)	(66)
Dividend on equity shares	-	-	(5,746)	(5,746)
Proceeds of equity share issues	14	103	-	117
Share-based payments	-	-	124	124
Purchase of own shares	-	-	(1)	(1)
Sale of own shares	-	-	468	468
Balance at 30 September 2016	**7,499**	**106,526**	**74,585**	**188,610**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015 (UNAUDITED)

	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 period	-	-	16,821	16,821
Total other comprehensive income	-	-	71	71
Excess tax on share options	-	-	242	242
Dividend on equity shares	-	-	(3,618)	(3,618)
Proceeds of equity share issues	40	280	-	320
Share-based payments	-	-	102	102
Purchase of own shares	-	-	(5)	(5)
Sale of own shares	-	-	616	616
Balance at 30 September 2015	**6,065**	**58,831**	**70,041**	**134,937**

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016 (AUDITED)

	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)
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**

GROUP CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Unaudited 6 months ended 30 September 2016 £000	Unaudited 6 months ended 30 September 2015 £000	Audited Year ended 31 March 2016 £000
Cash flow from operating activities			
Operating profit	10,320	22,113	34,542
Depreciation	290	236	610
Share-based payments	124	102	218
Profit on sale of tangible fixed assets	(17)	(25)	(44)
(Increase) decrease in inventories	(29,397)	8,874	17,914
Increase in receivables	(153)	(5,305)	(19,969)
Increase in payables	19,248	1,090	11,499
Share of results from joint ventures	(1,164)	(444)	(965)
	(749)	**26,641**	**43,805**
Interest paid and debt issue costs	(1,991)	(2,102)	(4,017)
Income tax paid	(3,108)	(2,459)	(5,468)
Cash flow from operating activities	**(5,848)**	**22,080**	**34,320**
Cash flow from investing activities			
(Investment in) distribution from joint venture	(5,588)	2,116	(19,888)
Purchase of tangible assets	(37)	(755)	(1,067)
Proceeds from sale of tangible assets	17	25	44
Consideration paid for business combination	(3,556)	(18,562)	(18,562)
Interest received	51	100	117
Cash flow from investing activities	**(9,113)**	**(17,076)**	**(39,356)**
Cash flow from financing activities			
Proceeds from issuance of ordinary share capital	117	320	49,332
Purchase of own shares	(1)	(5)	(598)
Sale of own shares	468	616	795
Increase in bank loans	15,000	-	-
Repayment of bank loans	-	(30,000)	(55,000)
Dividend paid	(5,746)	(3,618)	(8,443)
Cash flow from financing activities	**9,838**	**(32,687)**	**(13,914)**
Net decrease in cash and cash equivalents	**(5,123)**	**(27,683)**	**(18,950)**
Cash and cash equivalents brought forward	20,709	39,659	39,659
Cash and cash equivalents carried forward	**15,586**	**11,976**	**20,709**

NOTES

1 Basis of preparation

The interim financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in issue that are either endorsed by the EU and effective at 31 March 2017 or are expected to be endorsed and effective at 31 March 2017.

The interim financial statements do not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006. They are prepared in accordance with IAS 34 interim financial reporting. The figures for the half years ended 30 September 2016 and 30 September 2015 are unaudited. Consistent with previous years, the Board has included within the interim results an income statement and a balance sheet using proportional consolidation for the results of joint ventures along with the Generally Accepted Accounting Principles (GAAP) compliant versions of the income statement and balance sheet which present joint ventures as equity accounted investments.

The interim financial statements were approved by the directors on 29 November 2016 and the GAAP compliant information has been reviewed by the auditors whose review report is unqualified and will be included in the interim report distributed to shareholders.

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 interim financial statements.

The Group's statutory financial statements for the year ended 31 March 2016 were approved by the Board of directors on 31 May 2016, have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under Section 498 of the Companies Act 2006.

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 interim accounts have been prepared under the 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.

3 Taxation

Taxation has been calculated on the profit for the six months ended 30 September 2016 at the estimated effective tax rate of 20.0% (30 September 2015: 20.0%).

4 Dividends

The interim dividend declared for the six months ended 30 September 2016 is 7.2 pence per ordinary share and is expected to be paid on 6 January 2017 to those shareholders on the register at the close of business on 9 December 2016. The ex-dividend date is therefore 8 December 2016. This dividend was declared after 30 September 2016.

The interim dividend paid for the six months ended 30 September 2015 was 6.5 pence per ordinary share and the final dividend paid for the year ended 31 March 2016 was 7.7 pence per ordinary share.

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, which are treated as cancelled. 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:

	Unaudited 6 months ended 30 September 2016	**Unaudited 6 months ended 30 September 2015**	**Audited Year ended 31 March 2016**
Weighted average number of shares in issue	74,673,703	60,141,603	65,498,340
Dilution - effect of share schemes	407,622	679,365	572,176
Diluted weighted average number of shares in issue	75,081,325	60,820,968	66,070,516
Profit on ordinary activities after taxation	£7,408,000	£16,821,000	£25,726,000
Earnings per share:			
Basic	9.9p	28.0p	39.3p
Diluted	9.9p	27.7p	38.9p

6 Segmental reporting

The Group has only one reportable segment being housebuilding in the United Kingdom. Financial analysis is presented on this basis to the chief decision makers for the Group these being the directors.

Management information is presented to the directors with the Group's share of joint venture results proportionally consolidated to reflect the true underlying performance of the Group. The Group adopted IFRS 11 'Joint Arrangements' in the year to 31 March 2015 and as such joint ventures within these condensed financial statements are accounted for as equity accounted investments rather than by proportional consolidation. A reconciliation between management information including a proportional share of joint venture results and the GAAP compliant information in the condensed financial statements is as follows:

6 months ended 30 September 2016	**Management information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	104,349	(5,263)	99,086
Gross profit	22,393	(1,272)	21,121
Profit before income tax	9,015	261	9,276
Total assets	379,578	(8,474)	371,104
Total liabilities	(190,968)	8,474	(182,494)
Net assets	188,610	-	188,610

6 months ended 30 September 2015	**Management Information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	139,584	(834)	138,750
Gross profit	37,484	(427)	37,057
Profit before income tax	20,970	56	21,026
Total assets	322,380	(24,615)	297,765
Total liabilities	(187,443)	24,615	(162,828)
Net assets	134,937	-	134,937

For the year ended 31 March 2016	**Management Information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	245,581	(2,902)	242,679
Gross profit	63,143	(1,333)	61,810
Profit before income tax	32,203	112	32,315
Total assets	339,926	(4,499)	335,427
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 period ended 30 September 2016.

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 -