DEVELOPING IN LONDON

ANNUAL REPORT AND ACCOUNTS 2015

telfordhomes

> I am delighted to report that Telford Homes has experienced another excellent year of trading resulting in pre-tax profits of over £25 million, a tenfold increase in just four years. We continue to be successful at every sales launch and the total value of all forward sales is now over £550 million, more than three times current annual revenue.
>
> The Board expects significant growth in output and profits over the next few years and remains very confident in the long term prospects for Telford Homes.

Jon Di-Stefano
Chief Executive

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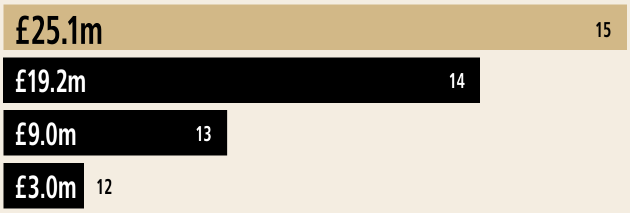
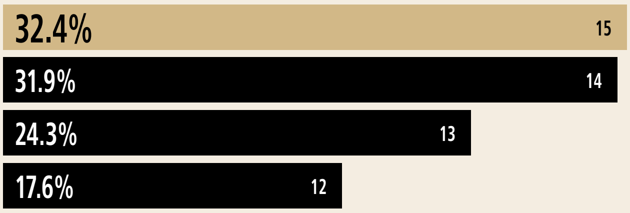
2015 Highlights

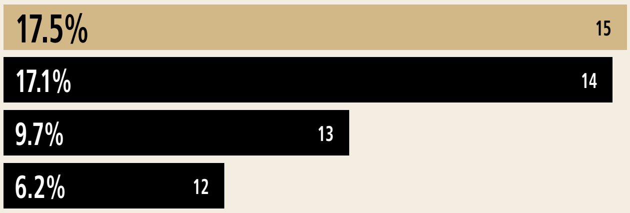
Revenue



Profit before tax



Gross profit margin*



Operating margin*

33.2p

Earnings per share

2014: 26.4p

11.1p

Dividend per share

2014: 8.8p

£1.07bn

Development pipeline by revenue

2014: £878m

43.9%

Gearing

2014: 0%

Highlights include share of joint venture results, see page 46

For further information on historic performance, please refer to the five year results table on page 48

* Before all interest charges including those expensed within cost of sales of £2.4 million (2014: £2.9 million, 2013: £3.2 million, 2012: £2.9 million)

Our Location

London market

Telford Homes operates in relatively affordable areas of inner London that are benefitting from ongoing regeneration.

The Group's business revolves around the fundamental strengths of London including its international reputation, economic performance and a constantly improving transport network. This network will include Crossrail from 2018 which directly benefits a number of the Group's typical locations. There is no doubt that there is a significant gap between the demand for somewhere to live in London and the supply of new homes and this will widen with predicted population growth in the next decade. This imbalance remains the key reason behind the Board's plans to increase the number of homes the Group is building over the next few years.

Development pipeline

There is no shortage of development sites in the Group's area of operation but unlocking these sites is part of the challenge of increasing the supply of new homes in London. The Group has excellent relationships with a number of key landowners, including its affordable housing partners, and has a reputation for delivering on its promises and maximising value for all parties. This has been critical to the success of recent acquisitions and, as a result, the development pipeline at 31 March 2015 stood at £1.07 billion of future revenue an increase of more than 70 per cent in just two years (2014: £878 million, 2013: £627 million) and more than six times current annual revenue.

£1.07bn

of future revenue

This map shows what we have just finished, what we are currently doing and some of the developments we have planned for the future.

Our Product

Our developments

Telford Homes is growing and by the end of 2015 will have over 2,200 homes under construction across 16 developments. As the Group increases in size, economies of scale become more evident and the average development size has also increased. Affordable housing is an important component of any new development and the Group has strong relationships with a number of affordable housing providers who make competitive offers and assist in delivering policy compliant affordable housing in planning proposals.

Quality and service

The Group has developed a strong brand and reputation for exceptional quality amongst its customers across the world and this has resulted in a significant proportion of sales being made to repeat purchasers. Many of our loyal customers wait for the next Telford Homes development to be brought to the market rather than investing elsewhere. The Group's commitment to customer service throughout the period from purchase to completion and beyond was recognised with the 'Telford Homes Customer Experience' winning the 'Best Customer Satisfaction Initiative Award' at the prestigious 2014 Housebuilder Awards. This focus on product and service is why Telford Homes continues to score highly on independent customer surveys including a 97 per cent recommendation rate in 2014.

97%

Customer recommendation rate

AVANT-GARDE E1

VIBE E8

Computer Generated Image

Planning

The Group acquires a number of sites subject to receipt of a planning consent or unconditionally without planning when the Board is confident of achieving a satisfactory consent. The Group's knowledge of the planning process in each London borough and ability to work in partnership with local authorities, the Greater London Authority and other interested parties removes the majority of the risk associated with the land purchase.

Despite all of this the planning process is challenging and the time taken to achieve consents restricts the supply of new homes and can delay the Group's planned development programmes. Fortunately the Government and the Greater London Authority both recognise the need to increase the supply of new homes. The system needs reform but in reality small adjustments will make a big difference and the right climate exists to make positive changes.

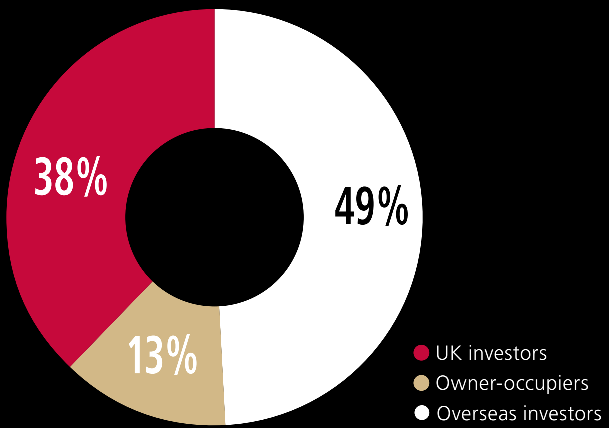
Our Customers

Customer profile

The sales achieved in the year to 31 March 2015 were weighted more towards investors than the previous year. This change represents the Group's incredible success at forward selling its homes, taking advantage of continued demand based on a thriving rental market. The Group designs its homes to appeal to all markets and demand from both investors and owner-occupiers has remained very strong in the last year such that the Group is not reliant on any one set of customers.

Telford Homes continues to market its developments to investors both in the UK and overseas because the sales achieved are ensuring homes are being built for the many people who want, or need, to rent properties in London. The Group's investor customers are achieving strong rental yields of between 4 and 6 per cent and they do not leave their properties empty. Notwithstanding this, Telford Homes has always marketed each of its developments to UK based buyers before going overseas, and the Group remains committed to this for all future launches.

Breakdown of open market contracts exchanged in the year to 31 March 2015



Mortgage finance

As economic sentiment has improved the availability of mortgage finance to both investors and owner-occupiers has increased and the cost of that finance has decreased. Mortgage providers are carefully controlling applications ensuring affordability is not stretched but nevertheless, due to long term stability in the base rate, the Group's customers are able to access finance on increasingly favourable terms. Typical loan to values remain below 80 per cent although the Group has made its first five sales under the Government's 'Help to Buy' scheme in the last few months.

Computer Generated Image

THE BOATYARD E14

Computer Generated Image

Forward sales

Telford Homes exchanged contracts for the sale of 661 open market properties in the year to 31 March 2015 (2014: 515). The total value of all forward sales secured is now over £550 million, a significant improvement on £341 million as at 31 March 2014 and more than three times current annual revenue. This forward sold position secures future cash flows and brings immediate benefits in terms of deposits received in advance of build completion. The Group takes a minimum 10 per cent deposit on exchange of contracts and, where sales are more than two years ahead of completion, typically takes another 10 per cent 12 months after exchange. As at 31 March 2015 a total of £63.7 million of deposits had been taken in advance of future completions (2014: £45.3 million), which has boosted the Group's ability to invest in new developments and reduced the need to drawdown debt finance.

£63.7m

Deposits received in advance

Computer Generated Image

Our Future

Outlook

The outcome of the 2015 General Election has provided certainty and stability to the political environment. The new Government has a clear understanding of the need to build more homes and any concerns over the impact of housing policies proposed by other political parties have now been removed.

London is one of the world's greatest cities with a strong economy and an excellent transport network. The Group is focused on relatively affordable locations in London that are experiencing high demand from tenants, investors and owner-occupiers due to a chronic shortage in the supply of new homes. More than half of the development pipeline has been forward sold and this gives security over future cash flows and exceptional visibility over future profits. The Board expects significant growth in output and profits over the next few years and remains very confident in the long term prospects for Telford Homes.

Forward sales more than

£550m

Computer Generated Images

New loan facility

Telford Homes signed a new £180 million corporate loan facility on 4 March 2015. This revolving credit facility, which extends to March 2019, is being provided by The Royal Bank of Scotland, HSBC, Santander and Allied Irish Bank. The enlarged facility has been secured on improved terms and provides greater working capital flexibility. Signing this facility was an important step in delivering on the Group's stated growth plans and the headroom within this facility, together with the Group's equity, is sufficient to enable Telford Homes to deliver this growth over the next few years.

£180m

Loan facility

Cityscape E1

"Telford Homes is developing in areas of inner London where the housing market is strong and the ongoing imbalance between the demand for somewhere to live and the supply of new homes is assisting our success at every sales launch."

Chairman's Statement

Andrew Wiseman

The year to 31 March 2015 has seen an important milestone in the growth of Telford Homes. Once again the Group has exceeded expectations for numbers of sales and reported profits but in addition we now have a development pipeline of over £1 billion of future revenue and the strongest forward sold position we have ever had. In addition the Group has signed an extended £180 million banking facility that gives enhanced flexibility in funding new and existing developments.

Over the last 12 months the Board has invested in some substantial new development sites and this has only been possible due to our strategy of selling homes well in advance of build completion to control the Group's exposure to risk.

Telford Homes is developing in areas of inner London where the housing market is strong and the ongoing imbalance between the demand for somewhere to live and the supply of new homes is assisting our success at every sales launch. The result of the General Election earlier this month has added greater certainty and stability to the market which enhances our desire to build more homes where people want to live.

Profits for the year to 31 March 2015 have beaten market expectations and as a result I am pleased to report that the dividend paid to shareholders is also ahead of expectations with a final dividend of 6.0 pence making a total of 11.1 pence for the year (2014: 8.8 pence). This reflects our policy of paying one third of earnings in dividends and the Board believes this policy ensures an appropriate balance between investing in controlled and achievable growth and returning a proportion of the Group's profits to shareholders.

The employees of Telford Homes are what makes the Group successful and I would like to thank every one of them for their hard work and dedication over the last year. I would also like to thank Robert Clarke for his valuable contribution to the Board over many years. Robert retires from his position as a Non-Executive Director on 16 July 2015.

The Group is going from strength to strength and is developing in the right parts of London to ensure that continues. More than half of the development pipeline has been forward sold and this gives security over future cash flows and exceptional visibility over future profits. The fundamental attractions of the Group's market are set to be with us for the foreseeable future and the long term outlook for Telford Homes remains very positive.

Andrew Wiseman
Chairman
26 May 2015


28

Computer Generated Image

Parliament House SE1

Chief Executive's Review

Jon Di-Stefano

Telford Homes has experienced another excellent year of trading resulting in pre-tax profits of £25.1 million, a tenfold increase in just four years. The Group has achieved success after success at its sales launches and is already 95 per cent forward sold for the year to 31 March 2016. The total value of all forward sales secured is now over £550 million, a significant improvement on £341 million as at 31 March 2014 and more than three times current annual revenue.

Sales performance

The Group exchanged contracts for the sale of 661 open market properties in the year to 31 March 2015 (2014: 515) and has sold a further 105 properties to date in the new financial year. This has driven the substantial increase in the forward sold position and, alongside securing future cash flows, brings immediate benefits in terms of deposits received in advance of build completion. The Group takes a minimum 10 per cent deposit on exchange of contracts and, where sales are more than two years ahead of completion, typically takes another 10 per cent 12 months after exchange.

Computer Generated Image

Chief Executive's Review

As at 31 March 2015 a total of £63.7 million of deposits had been taken in advance of future completions (2014: £45.3 million), which has boosted the Group's ability to invest in new developments and reduced the need to drawdown debt finance.

Recent sales launches have continued a trend that has been evident for the last three years with the latest being Manhattan Plaza, E14 located close to Canary Wharf and minutes from the new Crossrail station due to open in 2018. The launch took place over three weekends in April 2015 and 71 of the 120 open market apartments were sold to investors at prices around £800 per square foot. UK based investors purchased a quarter of these and the remainder were sold overseas, predominantly in China and Hong Kong.

This followed smaller launches earlier in 2015 including The Junction, E1 where half of the 26 open market homes have been sold and the Town Apartments in Kentish Town, where all 15 open market homes sold out in a single weekend. Last year the Group also had phenomenal success in Stratford with the launch of Stratosphere in October 2014 resulting in over £110 million of sales in less than a month and nearly 90 per cent of the 307 open market homes being sold.

Alongside these launches the Group has continued to sell very well from its on-site sales centres and, following the sale of the penthouse at Avant-garde, E1, the Group is once more in a position where it has no unsold completed homes. In total, Telford Homes has less than 50 properties currently released for sale and the Group is still selling homes quicker than it can build them. The next significant sales launch will be Bermondsey Works, SE16 in June 2015 where the average price of the 148 open market homes is under £600 per square foot.

Manhattan Plaza E14

Computer Generated Images

Our customers

The sales achieved in the year to 31 March 2015 were split 38 per cent to UK investors, 49 per cent to overseas investors and 13 per cent to owner-occupiers. The same percentages last year were 33, 32 and 35 respectively. This change represents the Group's incredible success at forward selling its homes, principally to investors, who typically purchase much earlier in the development process than owner-occupiers. The Group designs its homes to appeal to all markets and demand from both investors, based on a thriving rental market, and owner-occupiers has remained very strong in the last year such that the Group is not reliant on any one set of customers.

Computer Generated Images

Chief Executive's Review

Telford Homes continues to market its developments to investors both in the UK and overseas because the sales achieved are ensuring homes are being built for the many people who want, or need, to rent properties in London. The Group's investor customers are achieving strong rental yields of between 4 and 6 per cent and they do not leave their properties empty. Notwithstanding this, Telford Homes has always marketed each of its developments to UK based buyers before going overseas, and the Group remains committed to this for all future launches.

The Group has developed a strong brand and reputation for exceptional quality amongst its investor customers across the world and this has resulted in a significant proportion of sales being made to repeat purchasers. Many customers wait for the next Telford Homes development to be brought to the market rather than investing elsewhere. The Group's commitment to customer service throughout the period from purchase to completion and beyond was recognised with the 'Telford Homes Customer Experience' winning the 'Best Customer Satisfaction Initiative Award' at the prestigious 2014 Housebuilder Awards.

Computer Generated Image

Stratosphere E15

The Board is monitoring the increasing emergence of institutional investment in the private rented sector and will always look for opportunities to explore new markets, secure forward sales and deliver earlier cash receipts to enable greater investment in the development pipeline. To date the Group has sold a few smaller developments to its affordable housing partners as private rental investments where strong yields have driven good capital values.

As economic sentiment has improved the availability of mortgage finance to both investors and owner-occupiers has increased and the cost of that finance has decreased. Mortgage providers are carefully controlling applications ensuring affordability is not stretched but nevertheless, due to long term stability in the base rate, the Group's customers are able to access finance on increasingly favourable terms. Typical loan to values remain below 80 per cent although the Group has made its first five sales under the Government's 'Help to Buy' scheme in the last few months. The Board expects to make no more than a small number of sales utilising this scheme over the next few years.

London market

The Group's business revolves around the fundamental strengths of London including its international reputation, economic performance and a constantly improving transport network. This network will include Crossrail from 2018 which directly benefits a number of the Group's typical locations. There is no doubt that there is a significant gap between the demand for somewhere to live in London and the supply of new homes and this will widen with predicted population growth in the next decade. This imbalance remains the key reason behind the Board's plans to increase the number of homes the Group is building over the next few years.

Telford Homes operates in relatively affordable areas of inner London that are benefitting from ongoing regeneration. Whilst property prices in London's prime markets have seen some cooling off in recent months, demand for the Group's homes remains strong and prices have seen controlled and steady growth. This is exactly as the Board predicted given that affordability constraints on both rents and mortgage payments have tempered excessive price inflation.

Computer Generated Image

Chief Executive's Review

The average price of the open market homes sold in the year to 31 March 2015 was £459,000 (2014: £400,000) and each of the Group's developments average price is less than £1,000 per square foot with only a small number of properties priced above £1 million. The Board has a deliberate strategy to avoid prime markets and will continue to concentrate on more affordable locations, where real long term demand is evident from both tenants and owner-occupiers.

Profits and margins

Our continued success in a strong market has seen profit before tax multiply tenfold since 2011 and increase to £25.1 million in the year to 31 March 2015 (2014: £19.2 million). Margins are ahead of last year and in excess of the Board's expectations due to some commercial property sales at higher than anticipated prices and build cost inflation being slightly less than initial prudent estimates. The operating margin before any interest charges was 17.5 per cent, the highest the Group has ever reported (2014: 17.1 per cent).

The Group expects margins to return to normal levels in the future due to a combination of factors. Property prices in the Group's locations have stabilised and are now increasing at a more modest and sustainable rate. Going forward this will be balanced by inflationary pressures in labour and material costs and margins on developments completing in the next two years, but sold in a period of more significant price growth, will be tempered by increased costs and overage arrangements with land vendors where they share in the uplift in values. The Group has a target gross margin before selling expenses, overheads and interest of 24 per cent compared to the 32.4 per cent achieved in the year to 31 March 2015 and the Board expects the reported gross margin to fall back towards this target level.

Inflationary pressures on labour costs and material prices have been evident across the industry over the last 12 months but these are being

Bermondsey Works SE16

Computer Generated Images

anticipated in forecasts and remain under control. The Group has not experienced any significant shortages in supply in any of its subcontracted trades or materials but will continue to monitor trends and react accordingly. The Group has strong relationships with its supply chain and places orders with subcontractors as far in advance as it can. At Stratosphere, a 36 storey development in Stratford, construction is at an early stage with final completions more than three years away and yet the Group has already secured orders for more than 60 per cent of the total build cost.

The Board has previously reported that Telford Homes can achieve further significant growth over the next few years with profit before tax increasing to circa £40 million by 2018 and this remains the case. Given the nature of the Group's business it is likely that profits will not always follow a smooth path increasing every year. The Board believes that maximising profits is more important than the timing of recognition and, should profits fluctuate around an upward trend, will ensure dividend payments remain progressive to reflect the underlying growth path.

Development pipeline

In 2014 Telford Homes announced that its development pipeline had exceeded £1 billion in expected future revenue for the first time in the Group's history. This followed a number of significant land acquisitions including Poplar Business Park, E14, which has already been successfully marketed as Manhattan Plaza, and the £44 million purchase of a 5.5 acre site in Stratford in a joint venture with Notting Hill Housing Group.

Since that date the Group has continued to acquire new opportunities including a site on Redclyffe Road, Upton Park where a planning application for more than 170 homes will be submitted later this year. In addition the Group has recently agreed terms with one of its affordable housing partners on a regeneration scheme with planning permission for over 100 homes.

There is no shortage of development sites in the Group's area of operation but unlocking these sites is part of the challenge of increasing the supply of new homes in London. The Group has excellent relationships with a number of key landowners, including its affordable housing partners, and has a reputation for delivering on its promises and maximising value for all parties. This has been critical to the success of recent acquisitions and, as a result, the development pipeline at 31 March 2015 stood at £1.07 billion of future revenue an increase of more than 70 per cent in just two years (2014: £878 million, 2013: £627 million) and more than six times current annual revenue.

Chief Executive's Review

The planning process

The Group acquires a number of sites subject to receipt of a planning consent or unconditionally without planning when the Board is confident of achieving a satisfactory consent. The Group's knowledge of the planning process in each London borough and ability to work in partnership with local authorities, the Greater London Authority and other interested parties removes the majority of the risk associated with the land purchase. In addition, affordable housing is an important component of any new development and the Group has strong relationships with a number of affordable housing providers who make competitive offers and assist in delivering policy compliant affordable housing in planning proposals.

Despite all of this the planning process is challenging and the time taken to achieve consents restricts the supply of new homes and can delay the Group's planned development programmes. In December 2014, the Group finally secured a resolution to grant planning consent for a development on Caledonian Road, N1, after a significant delay and yet more than five months later the formal consent is still to be issued. Whilst this should be a formality it exemplifies the nature of the problems faced by all developers. Nevertheless the development consists of 156 homes very close to the impressive regeneration of Kings Cross and the Group expects to start on site later this year.

Fortunately the Government and the Greater London Authority both recognise the need to increase the supply of new homes and, having done much to support the demand side of the market, it is hoped that they will give more help to the supply side. The system needs reform but in reality small adjustments will make a big difference and these could include additional planning resources in local councils and setting defined time limits for various stages of the process. The right climate exists to make positive changes.

Parkside Quarter E14

Operations

Telford Homes is growing and by the end of 2015 will have over 2,200 homes under construction across 16 developments compared to just under 1,700 across 22 developments two years ago. As the Group increases in size, economies of scale become more evident and the average development size has also increased.

In order to ensure the management team is set up to accommodate further growth the Group has recently undertaken a restructuring of its operational teams and sadly this has resulted in a very small number of redundancies at a senior level. I would like to thank those leaving the Group for everything they have done for Telford Homes and wish them all the best in the future. In particular I would like to thank Joint Group Managing Director, Mark Parker, for his contribution to the Board since his appointment in 2007. Mark left the Group and stepped down from the Board on 26 May 2015. As a result John Fitzgerald, also previously joint Group Managing Director, is now responsible for production across the entire Group with an extended management structure supporting him in this role. The Board is confident that this restructure is necessary to ensure Telford Homes can step up to the next level.

Outlook

The outcome of the 2015 General Election has provided certainty and stability to the political environment. The new Government has a clear understanding of the need to build more homes and any concerns over the impact of housing policies proposed by other political parties have now been removed.

London is one of the world's greatest cities with a strong economy and an excellent transport network. The Group is focused on relatively affordable locations in London that are experiencing high demand from tenants, investors and owner-occupiers due to a chronic shortage in the supply of new homes. The Group's development pipeline represents over £1 billion of future revenue of which more than £550 million has already been secured by forward sales. The Board expects significant growth in output and profits over the next few years and remains very confident in the long term prospects for Telford Homes.

Jon Di-Stefano
Chief Executive
26 May 2015

Computer Generated Image

Vibe E8

Computer Generated Images

Financial Review

Katie Rogers

Telford Homes has had another outstanding year reporting a record level of revenue with profit margin growth at both the gross and operating level. Profit before tax has increased by over 30 per cent to £25.1 million (2014: £19.2 million) with further profit growth expected, supported by the high level of forward sales secured to date. The Group signed a new £180 million revolving credit facility in March 2015 which, together with its equity, provides the necessary funding to deliver on its stated growth plans over the next few years.

Change in presentation of joint ventures

The Group has been required to adopt IFRS 11 'Joint Arrangements' for the year to 31 March 2015. IFRS 11 states that joint ventures should be accounted for as equity investments rather than by proportional consolidation. This is a change in presentation only and does not change net profits or net assets in any way. The Group's joint ventures are however 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.

Computer Generated Images

Hackney Square E9

Financial Review

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. Further detail is included in note 2.

Operating results

Revenue, including the Group's share of joint ventures, has increased to a record high of £173.5 million (2014: £140.8 million). Revenue in accordance with GAAP and therefore excluding joint ventures was £140.4 million (2014: £94.0 million). The vast majority of the joint venture results in the year were from Bishopsgate Apartments LLP, a joint venture with the William Pears Group, with 77 open market residential completions in the period (2014: 180) at a very strong margin.

The overall increase in revenue was achieved despite a reduction in the total number of open market residential completions in the year from 492 to 374. The reduction in completions was expected and is purely down to the timing of developments and the handover of finished properties. However, the average selling price of the properties completing increased to £439,000 (2014: £329,000), due partly to the mix of developments but also strong underlying price growth. Commercial revenue was relatively high in the year to March 2015 at £16.0 million (2014: £7.7 million) due to a significant commercial sale in Bishopsgate Apartments LLP of £19.3 million; £9.65 million being the Group's 50 per cent share. The Group also continues to recognise revenue

Computer Generated Image

from the sale of affordable housing on a percentage of completion basis throughout construction and this usually contributes around 20 to 25 per cent of the revenue from each development.

Gross profit in the year increased from £42.1 million to £53.9 million including the Group's share of joint ventures. Gross profit is stated after expensing loan interest that has been capitalised within inventories of £2.4 million (2014: £2.9 million) and, before charging this interest, the gross margin increased to 32.4 per cent compared to 31.9 per cent last year and 24.3 per cent the year before. The improvement in gross profit margin is mainly due to commercial sales at higher than anticipated prices and cost inflation being less than the Board's prudent estimates on developments completing in this financial year. Gross profit on a GAAP basis excluding joint ventures was £38.2 million (2014: £24.3 million).

Administrative expenses have increased to £16.7 million (2014: £14.1 million) predominantly due to higher employee costs together with professional fees in relation to the recent refinancing. Both of these are necessary to enable the Group to deliver on its planned growth strategy over the next few years.

Selling expenses including joint ventures have increased in the year to £9.1 million from £6.7 million. Selling expenses excluding joint ventures were £8.6 million (2014: £5.8 million). The majority of this movement is explained by three significant sales launches taking place in the year to 31 March 2015 compared to only two similar launches in the previous financial year. These three launches, in total costing £5.1 million including agent's commission payable at exchange, were all incredibly successful and resulted in over 500 forward sales which are scheduled to complete and therefore deliver profit in future financial years.

Computer Generated Image

Financial Review

However, due to the accounting treatment for selling expenses which means they are expensed as incurred, the cost of the launches have been expensed in this financial year. This compares to costs of £2.5 million from the two significant launches in the year to 31 March 2014.

Agent's commission on smaller launches forms a further element of selling costs with half of the commission payable on exchange and half on completion. The Group has also been very successful in securing sales from on-site marketing suites and had two of these open for the majority of the year to 31 March 2015.

Despite higher administrative expenses and selling expenses, the Group's operating margin, calculated before interest, increased further to 17.5 per cent. This compares to 17.1 per cent in the year to March 2014 and 9.7 per cent in 2013. Profit before tax has risen from £19.2 million to £25.1 million with further profit growth expected in the year to 31 March 2016 supported by forward sales already secured on 95 per cent of the open market homes expected to complete in that period.

Finance costs

Finance costs actually incurred in the year have increased to £5.4 million from £4.5 million. This is comprised of £2.4 million (2014: £2.1 million) of interest capitalised into work in progress and £3.0 million (2014: £2.4 million) of finance costs charged directly to the income statement. Average borrowings in the year have increased from £45.2 million to £56.0 million with the vast majority of the interest charged on these borrowings being capitalised into work in progress.

Horizons E14

Computer Generated Images

Finance costs charged directly to the income statement are predominantly non-utilisation fees and arrangement fees. Non-utilisation fees are lower at £1.4 million (2014: £1.6 million) reflecting the increase in average borrowings but arrangement fees are significantly higher at £1.5 million (2014: £0.6 million). The Group signed a new loan facility in March 2015 which accelerated amortisation of arrangement fees on the previous facility which would have been amortised over the life of the former loan to September 2016. This resulted in additional arrangement fees this year of £0.9 million. The arrangement fee paid on the new loan facility is to be amortised over the life of the loan to March 2019.

Dividend

The Board remains committed to its stated dividend policy of paying a third of earnings in dividends each year and have proposed a final dividend of 6.0 pence. Together with the 5.1 pence interim dividend paid on 9 January 2015, this makes a total dividend for the year of 11.1 pence (2014: 8.8 pence), in line with the 25 per cent increase in earnings per share from 26.5 pence to 33.2 pence. The final dividend is expected to be paid on 17 July 2015 to those shareholders on the register at the close of business on 19 June 2015.

Balance sheet and cash

Net assets at 31 March 2015 were £120.4 million, increased from £105.4 million last year mainly due to retained profit in the year. This is equivalent to net assets per share of 199.8 pence (31 March 2014: 177.4 pence).

There has been a significant amount of investment in land and work in progress in the year and, including joint ventures, the Group had inventories of £277.2 million at 31 March 2015 (31 March 2014: £173.1 million). Inventories excluding joint ventures were £254.7 million (31 March 2014: £156.2 million).

Computer Generated Image

Financial Review

Inventories are funded by a combination of debt and equity and as a result, net debt at 31 March 2015 was £55.3 million (31 March 2014: net cash of £3.4 million). Despite this investment in inventories, cash balances including joint ventures remained high at £39.7 million at 31 March 2015 (31 March 2014: £33.0 million), albeit a significant proportion of this has been committed to future land and development costs.

The Group has exchanged contracts or entered into option agreements to purchase a number of sites subject to planning. These are recorded as contingent liabilities rather than land creditors due to the existence of outstanding conditions. However, Telford Homes has entered into a joint venture in the period with Notting Hill Housing Group, Chobham Farm North LLP, and that joint venture has exchanged contracts to purchase a significant site with outline planning permission in Stratford, E15 for £44 million payable by January 2016. This is recorded as a land creditor in Chobham Farm North LLP and funding will be sought for the land and development finance later in 2015.

The Group continues to benefit from deposits received due to the strong level of forward sales achieved. At 31 March 2015, deposits received in advance of completion and recognised as a liability on the balance sheet totalled £63.7 million (2014: £45.3 million). These deposits are an important source of equity and are released into free cash flow for investment into future developments.

Borrowings

The Company signed a new £180 million corporate loan facility on 4 March 2015. This revolving credit

The Junction E1

Computer Generated Images

facility, which extends to March 2019, is being provided by The Royal Bank of Scotland, HSBC, Santander and Allied Irish Bank. The enlarged facility replaces the previous £120 million loan facility and is secured against the Group's development sites. It provides greater working capital flexibility and the ability to act more quickly on site acquisitions with drawdowns governed by standard corporate covenants together with site covenants monitored on a portfolio basis. The interest rate payable varies depending on the Group's gearing level and the margin ranges from 2.8 per cent to 4 per cent compared to a minimum margin of 4 per cent under the previous facility.

As at 31 March 2015, drawn debt was £95 million (31 March 2014: £29.6 million) leaving an unutilised balance of £85 million. Gearing has increased to 43.9 per cent (2014: zero) but remains well beneath the covenant of 150%. The Board expects both borrowings and gearing to increase further as the Group continues to invest in site acquisitions and development costs.

The Board monitors and considers the appropriate level of debt and therefore gearing for the business taking into account forward sales achieved. The Board is comfortable with higher levels of gearing forecast over the next few years given over £550 million of forward sales have been secured to date to underpin the debt.

Signing the new revolving credit facility was an important step in delivering on the Group's stated growth plans and the headroom within this facility, together with the Group's equity, is sufficient to enable Telford Homes to deliver this growth over the next few years.

Katie Rogers
Group Financial Director
26 May 2015

Key Risks and Uncertainties

The Group's financial and operational performance is subject to a number of risks. These risks are continually assessed by management to mitigate and minimise their effects on the business. There are also many risks which are outside of the Group's control. The key risks facing the business are:

Economic environment

Demand for properties from both investors and owner-occupiers is dependent on confidence in both the local housing market and the wider economy. This confidence is heavily influenced by factors such as interest rates, the availability of mortgage finance, rental incomes, unemployment and increasing consumer costs for other goods and services. All of these are outside of the Group's control.

The Group's policy has been to sell early in the development process, where practical and possible, to minimise the risk in each site. This policy has been successful to date and pre-sales are still being secured with housing associations, overseas buyers and UK buyers. In addition, the Sales and Marketing team have detailed knowledge of the local market and are able to formulate the best sales strategy for each development and together with the Customer Service team, work with purchasers and prospective purchasers to ensure that all stages of the process from reservation to legal completion run as smoothly as possible.

Land acquisition

The Group needs new land to maintain a development pipeline and to enable the business to continue to operate at a certain capacity. This land needs to be sourced in appropriate locations and where optimum planning consents can be obtained. The appraisal process that determines the price paid for land is critical in maintaining margins and return on equity at acceptable levels.

The Land Acquisition and Partnerships team are responsible for sourcing land and our strong relationships with various land owners including local authorities and affordable housing providers play a key role in our ability to acquire new sites. Our existing partnerships with housing transfer organisations are expected to continue to be a source of land and we are a member of the GLA's 'London Development Panel' enabling us to bid for public land disposals. The appraisal process for new sites includes due diligence by an experienced solicitor and authorisation of all prospective purchases at appropriate levels.

Planning process

The flow of properties through the development pipeline is dependent on achieving suitable planning permission on sites purchased without planning or subject to planning. The process is time consuming and involves a number of supporting reports and detailed consultations with many different bodies. Delays in achieving suitable planning permissions affect the number of properties that can be brought to market and impact the timing of future cash flows. Failure to achieve a suitable planning permission may lead to cost write offs or reduced margins on individual developments.

Telford Homes has extensive knowledge of local planning requirements, excellent relationships with planning authorities and takes care in the appointment of professional architects, planning consultants and engineers. Early consultations with the planning authorities are a key part of the land acquisition process. While this cannot remove planning risks it mitigates them as much as possible. A small number of sites have been acquired without the benefit of a full planning permission but within a defined strategy which includes a full assessment of the likelihood of successfully obtaining a planning permission by our experienced planning team prior to purchase. A number of sites have also been purchased subject to achieving a satisfactory consent or by purchasing an option which gives the right to acquire the site at a later date. The Board ensures that the Group is not overexposed to planning risks by limiting the total investment in sites without a planning permission at any one time.

Health and Safety

Construction sites are dangerous places and there are many different health and safety risks to consider. The health and safety of everyone associated with Telford Homes, both employees and subcontractors, is the first priority of the Group.

Investment in training, the promotion of health and safety to all employees and extensive policies and procedures all contribute to a comprehensive approach to health and safety management with the objective of minimising risk and providing a safe working environment. The Group has a dedicated Health and Safety Manager who conducts health and safety audits on a regular basis, together with audits conducted by an external Health and Safety advisor, and processes are modified as required with a view to seeking continuous improvement.

CORPORATE RESPONSIBILITY

Construction

The construction process is critical to the efficient and timely delivery of properties to purchasers which affects both cash flow and customer satisfaction. The quality of the construction work and finish in each property affects the reputation of the Group and can impact on repeat purchase and recommendation rates.

Standards of construction and control of the building process on site are of paramount importance to the Group. Careful planning is required to assess a development programme before construction commences and this is monitored over the course of the building work. The construction teams work very closely with the Customer Service team and their interaction commences at an early stage in the development. The Customer Service team spend a substantial proportion of their time on site carrying out quality control before a purchaser sees the property for the first time.

Availability of materials and labour

The availability of materials and subcontracted labour for each site can affect both the construction programme and the cost of construction. Build cost inflation will impact directly on the margin achieved on each site where this is in excess of forecasts.

Planning of the construction programme and timely management of the tender process for each subcontracted trade reduces the risk of delays in the construction programme due to availability of materials and labour. The tender process ensures that competitive rates are achieved on every trade. Telford Homes works in partnership with all of its subcontractors and makes timely payments to encourage an equal relationship that is beneficial to all parties.

Cash requirements and bank finance

Property development is a capital intensive business with significant initial outlays supported by bank finance and lengthy time periods before the majority of the cash inflows on each project. Forecasting of cash flows is critical to ensure the Group is not operating beyond its financial capacity. Part of this process involves the forecast of bank funding to supplement our equity and the availability of sufficient bank finance is therefore also of critical importance.

Telford Homes maintains a detailed cash flow forecast as part of its management information systems. This extends five years into the future and is subject to continual re-assessment and sensitivity analysis. The cash flow position is reviewed by the Board and by each of the Group's banking partners on a regular basis. Telford Homes has excellent relationships with the banks funding the business and has secured sufficient facilities to ensure the continuing operation of the business.

Exchange deposits of 10 to 20 per cent received from pre-selling properties early in the development process also provide a useful source of equity which can be reinvested in new sites.

Political environment

Changes in laws and regulations can have a direct impact on the efficient running of the Group and the costs incurred on each development. Changes in both local and national government can have a direct bearing on the regulatory environment.

Telford Homes works closely with specialist consultants to ensure that it is up to date with current regulations and aware of any future changes so that operations can be planned accordingly.

In terms of the political environment, tackling the housing shortage is high on all political party agendas due to the significant imbalance between supply and demand and there is a general consensus that more needs to be done to reduce the lack of supply of new housing which should be positive for the housebuilding industry.

Health & Safety

The health and safety of everyone involved in our business or affected by it is a vital consideration in everything we do. The Board actively promotes a positive health and safety culture within the business and ensures that this is reflected in all of our policies and procedures and our approach to training and development of the people involved in our operations. Health and Safety is the first agenda item at monthly Board meetings.


STRATFORD PLAZA E15

Policies and procedures

We have developed a comprehensive set of policies and procedures covering all of our operations and these are constantly updated and communicated to relevant employees and everyone else working on our sites. Our procedures identify all of the relevant risks and hazards that are likely to be encountered in the course of our work and, more importantly, set out the appropriate precautionary control measures.

The Group's Health and Safety Management System is accredited to BS OHSAS 18001:2007 and continues to be audited every six months by the British Standards Institution (BSI) in accordance with their stringent auditing processes. This year our occupational health and safety performance was once again recognised by the 'Royal Society for the Prevention of Accidents' (RoSPA) with another gold medal award (6 consecutive gold awards) and similarly our management of occupational road risk was recognised with a silver award. These awards and the BSI certification are recognition of the very high standard of the Group's overall approach to health and safety. The Group has an 'Executive Safety Committee' and an 'Operational Safety Forum' made up of a number of senior employees with extensive industry experience. Both of these groups continue to meet regularly and are instrumental in developing significant changes to the way health and safety is managed and to our policies and procedures. This ensures we are constantly up to date with any changes in working practices or regulations.

John Fitzgerald is the Board director with overall responsibility for health and safety.

Training and development

Telford Homes operates in an industry where up to date qualifications, standards and knowledge are vital to the safe and successful operation of the business. We invest in the training and development of our people through a rigorous health and safety training programme which ensures that all employees have the appropriate skills and knowledge. Training is seen as a necessity and it is important to continually assess training needs whilst anticipating changes in the external environment that will dictate new skills and knowledge that our employees may need. The focus on high quality industry specific training allows the Group to have a fresh approach and the Board views training, particularly through apprenticeships, as an essential investment in the future of the Group and the future of the construction industry. The needs of new members of staff joining the business are carefully assessed so that any specific training requirements are identified and acted upon.

In addition the Group has a supply-chain of partners that provide all the necessary design and building services to complete each development. We demand that our suppliers employ competent people and encourage their continuing professional development. To support this we have held subsidised on-site training specifically for their employees.


THE BOATYARD E14

As part of our vetting procedure the technical and commercial viability of each supplier is scrutinised in an attempt to ensure they are able to meet their obligations. We demand and expect the highest health and safety standards from each supplier and as a result this is considered during the tender process for new work. We continually monitor our suppliers and take the necessary steps to ensure they meet our high expectations.

Performance

The year to 31 March 2015 has been our busiest on record with over 2 million man hours worked. Additionally it was our safest with a very low Accident Frequency Rate, significantly below the industry average.

We carefully monitor the nature of any accidents and incidents that do occur to ensure we can learn from them and adjust our training requirements appropriately. The majority of our accidents this year have arisen as a result of simple behavioural failings of those persons directly involved and we have an ongoing training programme that makes people aware of these simple mistakes and the impact they can have. There have also been a number of incidents in the year caused by freak weather conditions and we continue to adapt our policies and procedures to ensure that such incidents are minimised.

Overall our health and safety performance in the year has been excellent once again and yet the Group will always seek further improvement. I am confident that our extensive procedures and our investment in training mean that Telford Homes is doing everything possible to minimise health and safety risks within the business now and in the future.

Steve Nicoll
Group Health & Safety Manager


CITYSCAPE E1

Environment and Sustainability

Telford Homes is committed to designing and constructing developments that minimise ecological and carbon impact and improve energy efficiency. Our approach means that we re-use, recycle and adopt renewable materials wherever viable and continually look for new ways to meet and exceed environmental expectations in all our activities. The Group has a clear environmental policy and we ensure that this is communicated throughout our operations.

Our environmental policy and environmental management system is regularly reviewed to ensure prevention of pollution, compliance with relevant legislation and that our activities are controlled to minimise their impact on the environment. Our environmental management system is accredited to BS EN ISO 14001:2004 and continues to be audited every six months by the British Standards Institution (BSI) in accordance with their stringent auditing processes.

Our design strategy delivers an enhanced building envelope which reduces energy requirements and contributes significantly to lowering the carbon footprint of our developments. We design, construct and deliver dwellings which at a minimum conform, but in many cases exceed, the requirements of current building regulations and standards.

Our developments are designed with energy performance in mind. Domestic heating and hot water are delivered via centralised, highly efficient combined heat and power units. These units also produce electrical energy that is used to power lighting in communal areas with any surplus being exported to the national grid. Ventilation is provided by mechanical systems which recover and recycle heat from the dwelling. Further carbon savings are achieved by the use of renewable energy technologies such as photovoltaic arrays which complement the energy generation process and assist in reducing emissions and the cost of energy provision.

We have adopted the Building Research Establishment SMARTER© waste programme which assists the construction industry to manage site waste in compliance with regulations. It is also fully aligned with the requirements of Building Research Establishment Environmental Assessment Method (BREEAM) and The Code for Sustainable Homes enabling the monitoring of on-site energy consumption, water consumption and the procurement of certified timber.

The materials we use during our construction projects contribute to our environmental performance and as such we recognise the contribution sustainable materials make to improved environmental performance. We have already contributed significantly in this area by adopting objectives to increase the amount of recycled materials we use, particularly aggregates and crushed concrete in excavation reinstatements and piling mats. We aim to manage

Case Study – Lime Quay, E14

Lime Quay is a development of 120 apartments which was completed in January 2015 and delivered to level 4 of the code for sustainable homes.

The performance qualities of the external envelope have been enhanced to provide excellent insulation and air tightness. The effect of this is a reduction in heat loss in the winter and a reduction in solar gain in the summer.

Domestic heat and hot water are provided by high efficiency gas fired communal boilers and combined heat and power (CHP). Electricity generated by CHP is used to light communal areas and any surplus is exported to the grid. Photovoltaic arrays on the roof also generate electricity and again any surplus is exported to the grid. Each apartment has a mechanical ventilation system incorporating heat recovery equipment which pre heats incoming air.

Rain is collected from the roof and passed through a restricted outlet into the main drainage system. During periods of exceptional rainfall, the water is stored on the roof and drained at a slower rate to prevent flooding.

The entire development is car free and 150 secure bicycle storage spaces are provided.

waste on our sites in the most efficient way by encouraging recycling on-site and recovery off-site, maximising segregation and ensuring we are working with the waste contractors with the highest diversion rates. As an example the skip company that removes the majority of our construction waste from site is able to recycle and recover 100% of this waste.

Each of our developments is subjected to a flood risk assessment which investigates, at design stage, the impact of the development upon the local drainage infrastructure. Many of our new buildings incorporate “blue roof” technology with rainwater being temporarily stored on the roof area during prolonged or heavy rainfall periods, before a controlled release into the drainage infrastructure thus minimising the impact on the system and helping to prevent local flooding.

BROOKMANS MANOR AL9

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Andrew Wiseman

BA (Hons), FCMA

Chairman (58)

Andrew Wiseman, together with close colleagues, founded Telford Homes Plc in December 2000 following ten years with Furlong Homes Plc initially as Financial Director then as Chief Executive for the final three years. Andrew headed the flotation of Telford Homes on AIM in December 2001, building on excellent relationships with institutional investors. In his role as Chief Executive of Telford Homes, from formation until 30 June 2011, Andrew positioned the Group as a partner of affordable housing providers as well as a first class developer of open market homes. Andrew became Chairman on 1 January 2012. He is also a Strategic Board member of AmicusHorizon, a housing association providing affordable homes in South London, Surrey, Kent and Sussex.

Jon Di-Stefano

MA (Econ), ACA

Chief Executive (40)

Jon Di-Stefano joined Telford Homes Plc as Financial Director in October 2002. Prior to this he had one year with Mothercare following five years with Arthur Andersen. Jon built up a strong finance function over a number of years and played a significant role in establishing relationships with the Group's banking partners and institutional investors. Jon became Chief Executive on 1 July 2011 and since his appointment he has overseen significant profit growth and increasing shareholder value. Supported by the rest of the Board he is responsible for the Group's strategic direction including setting the land buying strategy, its area of focus, the approach to risk management and all other long term business planning.

Board of Directors

Katie Rogers

BA (Hons), ACA

Group Financial Director (34)

Katie Rogers joined Telford Homes Plc in 2007 as Financial Analyst following four years at PwC. Katie progressed to Group Financial Controller within a year and was appointed to the Board as Group Financial Director in July 2011. Besides leading and managing the finance team for the Group, she is responsible for long term profit forecasts and for maintaining on-going relationships with the Group's banking partners. Katie recently finalised a new £180 million four year revolving credit facility with a club of banks, successfully negotiating a reduction in the cost of capital. Together with Jon, Katie also develops and maintains relationships with institutional investors through regular presentations and has been involved in share placings in the past. She is also the director with overall responsibility for Human Resources across the Group.

David Campbell

Group Sales & Marketing Director (49)

David Campbell joined Telford Homes in November 2011 and was appointed as Group Sales & Marketing Director in April 2012. He is responsible for all residential and commercial property sales, targeting both domestic and overseas buyers. David has over 25 years' experience in the property development sector, operating as both a Sales & Marketing Director and Regional Managing Director for a number of major residential and mixed use developers, including the Berkeley Group, Barratt Developments and Wilson Bowden Plc. With experience as both a discipline director and managing director of traditional and urban regeneration businesses, he brings a wide appreciation of the development process and the importance of strategic planning for long term complex projects.

John Fitzgerald

FRICS, ICIOB

Group Managing Director (44)

John Fitzgerald began his career in 1987 with Willmott Dixon Construction followed by Willmott Dixon Housing. He has over 25 years' experience in the construction and housebuilding sector and spent the four years prior to joining Telford Homes with Furlong Homes where he was responsible for their more prestigious developments. He joined Telford Homes in February 2003 and was jointly responsible for construction until March 2005 when he was appointed Joint Group Managing Director. John was appointed a Board Director in 2007 and is now Group Managing Director with sole responsibility for production and health and safety across the business.

David Holland

Non-Executive Director (74)

David Holland has over 40 years of experience in the development and housebuilding sector having joined George Wimpey Plc in 1966. On his retirement he held the position of Group Managing Director with responsibility for worldwide housing and land development. In 1997 David held the annual position of President of the House Builders Federation. David was appointed non-executive Chairman of Telford Homes in December 2001 and stepped down from the role in January 2012 to become a non-executive Director. He chairs the remuneration committee and is a member of the audit committee.

David Durant

Group Planning & Design Director (53)

David Durant is a co-founder of Telford Homes Plc and has over 30 years experience in the construction and housebuilding sectors including 14 years at Furlong Homes where he was Group Technical Director from 1997 to 2000. David had been Group Managing Director since the start of the Company's operations in 2001 until 2005. Since 2005, David's role has focused on securing major planning consents, product design and maintaining key partnerships.

Robert Clarke

FCA

Non-Executive Director (72)

Robert Clarke was a partner in Binder Hamlyn and subsequently Arthur Andersen until his retirement in 2000. Robert joined Telford Homes Plc as a non-executive director at the time of the AIM flotation in December 2001 and he has been influential in the fields of corporate governance and strategic direction. He has also been a non-executive Director of various other public and private companies and served on committees of national charities. Robert is chairman of the audit committee and a member of the remuneration committee.

James Furlong

Land Director (79)

Jim Furlong has over 40 years' experience in all aspects of the construction and building industry through his involvement in roofing, civil engineering, construction and housebuilding companies which all bore the 'Furlong' name. Prior to joining Telford Homes as Land Director Jim was a driving force within Furlong Homes, where he was Chairman with specific responsibility for land acquisition. Jim's wide experience of land acquisition played a central role in the initial growth of Telford Homes and continues to be beneficial to the Group.

Frank Nelson

Non-Executive Director (63)

Frank has over 25 years' experience in the construction, housebuilding and energy sectors. He was Finance Director of construction and housebuilding group Galliford Try Plc from 2000 until 2012. He was previously Finance Director of Try Group plc from 1987, leading the company through its IPO in 1989 and the subsequent merger with Galliford. Following his retirement, he took the role of interim CFO of Lamprell plc, where he helped complete a complex restructure and turnaround. In late 2012 he joined McCarthy and Stone as a non-executive Director. He is also a non-executive Director of HICL Infrastructure Company Ltd, a large infrastructure fund. Earlier this year he was appointed the senior independent non-executive Director at Eurocell Plc.

Policy on Corporate Governance

Application of principles

Although not formally required to do so, the directors have sought to embrace the principles contained in the UK Corporate Governance Code (2012) (the Code) applicable to fully listed companies, in formulating and applying the Group's corporate governance policies. These policies are tailored to ensure that they are appropriate to the Group's circumstances given the size of the Group.

Directors

The Company and Group are managed by a Board of directors and they have the necessary skills and experience to effectively operate and control the business. There are ten directors in total of whom three are non-executive directors. David Holland, Robert Clarke and Frank Nelson, the non-executive directors, are considered independent and they comprise both the audit and remuneration committees. The Board meets once a month and the directors make every effort to attend all Board meetings.

The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. Management information systems are in place to enable the directors to make informed decisions to properly discharge their duties.

The roles of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets regularly and separately with the Chief Executive and the non-executive directors to discuss matters for the Board.

As the business has developed, the composition of the Board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. One third of the directors retire annually in rotation in accordance with the Company's articles of association. This enables the shareholders to decide on the election of the Company's Board.

The Board takes decisions regarding the appointment of new directors as a whole and this is only done following a thorough assessment of a potential candidate's skills and suitability for the role. New directors are given a full induction to the Group where required so as to ensure they can properly fulfil their role and meet their responsibilities.

All directors are offered appropriate coaching and training to develop their knowledge and ensure they remain up to date in relevant matters for which they have responsibility as a member of the Board.

The Chairman's statement and Chief Executive's review included in this annual report give the Board's current assessment of the Group's prospects. The directors are responsible for preparing the financial statements as set out in the statement of directors' responsibilities. The responsibilities of the auditors are set out in their report.

Remuneration committee

Details concerning the composition and meetings of the remuneration committee are contained in the directors' remuneration report on pages 40 to 41.

Audit committee

During the period, the audit committee, which is chaired by Robert Clarke an independent non-executive director, has met three times with the external auditors being in attendance on all occasions. The non-executive directors meet separately with the auditors twice a year.

The committee has a responsibility for reviewing the financial statements provided to shareholders. In addition the committee reviews the business and financial risks and internal controls as described below.

The duties of the committee also include ensuring that the auditors provide a cost effective service to the Group and remain objective and independent and to consider from time to time the need for an internal audit function.

Relations with shareholders

The Company has institutional shareholders and is, where practicable, willing to enter into a dialogue with them. The Chief Executive and the Financial Director meet regularly with institutional investors within the confines of relevant legislation and guidance.

The Board invites communication from its private investors and encourages participation by them at the Annual General Meeting (AGM). All Board members present at the AGM are available to answer questions from shareholders. Notice of the AGM in excess of 21 clear days is given and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's significant risks and that it has been in place for the period ended 31 March 2015 and up to the date of approval of the annual report and accounts, and that it is regularly reviewed by the Board.

The internal control procedures are delegated to executive directors and senior management in the Group operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in the light of the ongoing assessment of the Group's significant risks.

On a monthly basis, management accounts, including a comprehensive cash flow forecast, are reviewed by the Board in order to provide effective monitoring of financial performance. At the same time the Board considers other significant strategic, organisational and compliance issues to ensure that the Group's assets are safeguarded and financial information and accounting records can be relied upon. The Board formally monitors monthly progress on each development.

Directors' Remuneration Report

The directors present the remuneration report for the year ended 31 March 2015.

Composition of the remuneration committee

The remuneration committee comprises the independent non-executive directors, David Holland, Robert Clarke and Frank Nelson. The committee makes recommendations to the Board on executive directors' service agreements and remuneration. In doing so it has undertaken relevant research to ensure that remuneration levels are competitive with the industry average. The committee met three times during the year.

Remuneration policy

It is the Group's policy to provide remuneration packages sufficient to attract, retain and motivate directors of the quality required. There are two annual bonus schemes in place for the year ended 31 March 2015, one applicable to all staff and a scheme for executive directors and senior management. Both schemes are dependent on the Group meeting certain financial performance targets.

From 1 April 2013, the remuneration committee introduced a new bonus scheme for executive directors and senior management which will operate for a minimum of five years. The new scheme has been designed to act as an appropriate incentive for the Group's senior employees and to reward their contribution to business growth. At the same time it has been designed to encourage the retention of these key employees.

Under the new scheme each executive director will earn an annual bonus equivalent to 0.6 per cent of profit before taxation subject to a minimum level of profits being achieved in each year. A proportion of the bonus earned in each year (up to 50 per cent) will be deferred and paid out to each director in equal instalments over the next three years, again subject to a minimum level of profit being achieved in these years. The maximum amount that can be earned under the new bonus scheme remains capped at 100 per cent of base salary as at the financial year end.

The Company also operates a Share Incentive Plan (SIP) in which all employees are entitled to participate. The SIP exists in order to increase employee ownership of shares and further details are given in note 17 to the financial statements.

During 2006 the Company set up a Deferred Payment Share Purchase Plan (DPSPP) for the benefit of selected senior employees. Further details are given in note 17 to the financial statements. The remuneration committee is responsible for approving any offers of shares made under the DPSPP.

The Board as a whole determines the remuneration of the non-executive directors after considering external market research. They do not participate in the bonus schemes or in the personal pension scheme. They are entitled to participate in the SIP.

Service contracts

The executive directors have service contracts that can be terminated on twelve months notice. These provide for termination payments equivalent to twelve months basic salary and contractual benefits.

The non-executive directors have letters of appointment that can be terminated on three months notice.

Directors' emoluments

The directors' emoluments for the year ended 31 March 2015 are as follows:

Name	Salary & fees	Bonus earned	Total benefits in kind	Pension contribution	Total 2015	Total 2014
Andrew Wiseman	128,750	140,000	14,328	12,875	295,953	262,189
Jonathan Di-Stefano	245,000	161,690	23,247	24,500	454,437	386,381
David Campbell	185,000	161,690	12,878	18,500	378,068	317,216
David Durant	167,500	161,690	12,378	16,750	358,318	307,064
John Fitzgerald	185,000	161,690	18,442	18,500	383,632	323,402
James Furlong	95,000	80,000	29,418	–	204,418	222,493
Mark Parker[1]	185,000	161,690	22,160	18,500	387,350	324,426
Katie Rogers[2]	143,985	161,690	10,023	17,000	332,698	296,729
Robert Clarke	52,000	–	–	–	52,000	50,500
David Holland	62,000	–	–	–	62,000	60,500
Frank Nelson[3]	13,000	–	–	–	13,000	–
	1,462,235	**1,190,140**	**142,874**	**126,625**	**2,921,874**	**2,550,900**

1 Mark Parker resigned from the Board on 26 May 2015.

2 Katie Rogers returned from maternity leave on 7 July 2014.

3 Frank Nelson was appointed to the Board as a non-executive director on 1 January 2015.

The executive bonus scheme account for each director is set out below:

	Executive bonus brought forward	Earned for the year	Amount released during the year	Executive bonus carried forward
Andrew Wiseman	53,240	140,000	(87,747)	105,493
Jonathan Di-Stefano	53,240	161,690	(98,592)	116,338
David Campbell	53,240	161,690	(98,592)	116,338
David Durant	53,240	161,690	(98,592)	116,338
John Fitzgerald	53,240	161,690	(98,592)	116,338
James Furlong	30,000	80,000	(80,000)	30,000
Mark Parker[1]	53,240	161,690	(98,592)	116,338
Katie Rogers	53,240	161,690	(98,592)	116,338
	402,680	**1,190,140**	**(759,299)**	**833,521**

1 Mark Parker resigned from the Board on 26 May 2015.

Directors' interests in shares and share options

Directors' interests in shares are disclosed in the report of the directors.

The share options held by the directors in the Telford Homes Plc Employee Share Option Scheme at 31 March 2015 and the movements during the year then ended were as follows:

	Company scheme	31 March 2014 Number	Exercised in year Number	31 March 2015 Number	Exercise price	Dates exercisable
Jonathan Di-Stefano	unapproved	60,000	–	60,000	75p	1 Oct 2005 to 1 Oct 2015
	unapproved	100,000	–	100,000	90.5p	9 Feb 2015 to 9 Feb 2022
	approved	33,000	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
David Campbell	unapproved	67,000	–	67,000	90.5p	9 Feb 2015 to 9 Feb 2022
	approved	33,000	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
David Durant	approved	33,000	(33,000)	–	90.5p	9 Feb 2015 to 9 Feb 2022
John Fitzgerald	unapproved	160,000	–	160,000	75p	1 Oct 2005 to 1 Oct 2015
	approved	33,000	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
Mark Parker[1]	unapproved	100,000	–	100,000	90.5p	9 Feb 2015 to 9 Feb 2022
	approved	33,000	–	33,000	90.5p	9 Feb 2015 to 9 Feb 2022
Katie Rogers	approved	40,000	(40,000)	–	64p	20 July 2012 to 20 July 2019
	unapproved	100,000	–	100,000	79p	23 May 2014 to 23 May 2021

1 Mark Parker resigned from the Board on 26 May 2015.

No share options were granted to directors or forfeited by directors in the year ended 31 March 2015 or the year ended 31 March 2014.

In total the share-based payments charge in respect of directors' share options was £21,244 (2014: £27,294).

By order of the Board,

David Holland
Chairman of the Remuneration Committee
26 May 2015

Report of the Directors

The directors present their report and the audited consolidated financial statements for the year ended 31 March 2015.

Results and dividends

Telford Homes is an AIM listed public limited company incorporated and domiciled in the United Kingdom.

The principal activity of the Group is that of property development.

Profit after income tax for the year ended 31 March 2015 was £19,664,000 (2014: £14,884,000).

The directors recommend a final dividend of 6.0 pence per ordinary share which, together with the interim dividend of 5.1 pence paid on 9 January 2015, makes a total of 11.1 pence for the year (2014: 8.8 pence).

Going concern

The Group's business activities, together with factors likely to affect its future development and performance are set out in the Chairman's statement and the Chief Executive's review on pages 10 to 21 and the key risks and uncertainties affecting the Group are set out on pages 30 to 31. The financial position of the Group, its cash flows and borrowing facilities are described in the financial review on pages 22 to 29. In addition note 20 to the financial statements includes details of the Group's financial instruments and its exposure to credit risk and liquidity risk.

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 is well placed to manage its business risks successfully.

After making appropriate enquiries the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and accounts.

Substantial shareholdings

As at 19 May 2015, the Company had been advised of the following notifiable interests in its ordinary share capital:

	Number of shares held	Percentage
Schroders – Cazenove Capital Management Ltd	5,917,378	9.82%
Liontrust Inv. Partners LLP	2,982,073	4.95%
BlackRock Investment Management (UK) Ltd	2,775,326	4.60%
Telford Homes Trustees Ltd	2,446,089	4.06%
Artemis Investment Management Ltd	2,325,000	3.86%

The shares held by Telford Homes Trustees Limited include shares held on behalf of employees under the Share Incentive Plan (note 17).

Directors

Details of the directors of the Company are shown on pages 36 to 37.

Frank Nelson was appointed to the Board as a non-executive director on 1 January 2015 and will retire at the next Annual General Meeting and, being eligible, offers himself for re-election.

Mark Parker resigned from the Board on 26 May 2015.

Andrew Wiseman, David Durant and David Campbell retire by rotation at the next Annual General Meeting and, being eligible, offer themselves for re-election.

Directors' interests

The directors of the Company are listed below together with their interest in the shares of the Company at 31 March 2015 and movements in the year:

	At 31 March 2014 Number	Share Incentive Plan Number	Market acquisitions and disposals Number	At 31 March 2015 Number
Andrew Wiseman	2,325,504	2,482	(5,000)	2,322,986
Jonathan Di-Stefano	365,234	2,481	–	367,715
David Campbell	38,589	1,207	–	39,796
David Durant	1,266,428	2,482	28,000	1,296,910
John Fitzgerald	220,671	2,047	–	222,718
James Furlong	1,294,860	2,482	17,000	1,314,342
Mark Parker[1]	187,867	2,277	–	190,144
Katie Rogers	37,368	2,053	40,000	79,421
Robert Clarke	184,003	2,441	–	186,444
David Holland	934,003	2,441	(375,000)	561,444
Frank Nelson[2]	–	–	–	–

1 Mark Parker resigned from the Board on 26 May 2015.

2 Frank Nelson was appointed to the Board as a non-executive director on 1 January 2015.

These interests include shares purchased under the Telford Homes Share Incentive Plan (SIP) which all employees, including directors, are eligible to participate in. All shares purchased under the SIP are matched by shares provided by the Company on a one for one basis. These 'Matching' shares are also included in the interests stated but must remain in the SIP for a period of not less than three years otherwise they are forfeited. Further details on the SIP are included in note 17 to the financial statements.

Details of share options held by directors are given in the directors' remuneration report on pages 40 to 41.

Ordinary shares

The Company issued 850,000 new ordinary shares during the year in respect of share options being exercised and to satisfy the requirements of the Share Incentive Plan. Further information is disclosed in note 16.

The Company's investment in own shares relates solely to the Share Incentive Plan and further details of the total holding and movements in the holding are disclosed in note 17.

Creditors

It is Group policy to settle all debts with its creditors on a timely basis. Subcontractors are paid upon agreement of the value of works completed based on their applications for payment and the terms agreed. In general, other suppliers are paid during the month following the month of receipt of the invoice unless other terms have been specifically agreed.

At 31 March 2015 trade payables represented 14 days purchases (2014: 20 days).

Report of the Directors

Employees

The Group places considerable value on the involvement of its employees and keeps them informed of all relevant matters on a regular basis. Telford Homes is an equal opportunities employer and all applications for employment are considered fully on the basis of suitability for the job.

Charitable donations

The Group made charitable donations of £55,000 (2014: £26,000). These donations were made to a number of different charities supporting a broad range of good causes.

Annual General Meeting

The Annual General Meeting will be held at the registered office at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire on 16 July 2015 at 12.30pm.

Auditors

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting in accordance with section 489 of the Companies Act 2006.

Each of the directors at the time this report was approved has confirmed the following:

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board,

Richard Ellis
Company Secretary
26 May 2015

Strategic Report

The Strategic report for the Group including a fair review of the Group, a description of the principal risks and uncertainties facing the Group, the development and performance of the Group during the financial year, the Group's position at the financial year end and an analysis of the Group's key performance indicators can be found from pages 1 to 31.

The Strategic report has been reviewed and signed off by the Board of directors.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the directors, whose names and functions are listed on pages 36 to 37 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the report of the directors includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group income statement

including proportional share of joint venture results

31 March 2015

	Non-GAAP Year ended 31 March 2015 £000	Non-GAAP Year ended 31 March 2014 £000
Revenue	**173,452**	**140,771**
Cost of sales	(119,592)	(98,701)
Gross profit	**53,860**	**42,070**
Administrative expenses	(16,693)	(14,143)
Selling expenses	(9,147)	(6,748)
Operating profit	**28,020**	**21,179**
Finance income	146	409
Finance costs	(3,038)	(2,358)
Profit before income tax	**25,128**	**19,230**
Income tax expense	(5,464)	(4,346)
Profit after income tax	**19,664**	**14,884**

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. A reconciliation between key management information and Generally Accepted Accounting Principles (GAAP) compliant information, accounting for joint ventures under IFRS 11 as equity investments, is included in note 2 of the financial statements.

Group balance sheet

including proportional share of joint venture results

31 March 2015

	Non-GAAP 31 March 2015 £000	Non-GAAP 31 March 2014 £000
Non current assets		
Property, plant and equipment	1,028	1,153
Financial assets	–	227
Deferred income tax assets	866	852
	1,894	2,232
Current assets		
Inventories	277,161	173,110
Trade and other receivables	11,451	6,590
Cash and cash equivalents	39,701	32,970
	328,313	212,670
Total assets	**330,207**	**214,902**
Non current liabilities		
Trade and other payables	(679)	(275)
Financial liabilities	(389)	–
	(1,068)	(275)
Current liabilities		
Trade and other payables	(113,732)	(79,373)
Borrowings	(92,559)	(28,135)
Current income tax liabilities	(2,460)	(1,727)
	(208,751)	(109,235)
Total liabilities	**(209,819)**	**(109,510)**
Net assets	**120,388**	**105,392**
Capital and reserves		
Issued share capital	6,025	5,940
Share premium	58,551	57,529
Retained earnings	55,812	41,923
Total equity	**120,388**	**105,392**

Five year results

including proportional share of joint venture results

	Year ended 31 March 2011 £000	Year ended 31 March 2012 £000	*Restated Year ended 31 March 2013 £000	Year ended 31 March 2014 £000	Year ended 31 March 2015 £000
Revenue	**121,071**	**124,352**	**142,408**	**140,771**	**173,452**
Cost of sales before exceptional items and provision reversals	(105,709)	(105,432)	(112,949)	(98,701)	(119,592)
Reversal of unutilised net realisable value inventory provision	–	–	1,943	–	–
Exceptional items	511	–	–	–	–
Gross profit	**15,873**	**18,920**	**31,402**	**42,070**	**53,860**
Administrative expenses	(9,255)	(10,637)	(12,867)	(14,143)	(16,693)
Selling expenses	(2,725)	(3,533)	(7,935)	(6,748)	(9,147)
Operating profit	**3,893**	**4,750**	**10,600**	**21,179**	**28,020**
Finance income	249	127	319	409	146
Finance costs	(1,108)	(1,832)	(1,882)	(2,358)	(3,038)
Profit before income tax	**3,034**	**3,045**	**9,037**	**19,230**	**25,128**
Income tax expense	(742)	(759)	(2,010)	(4,346)	(5,464)
Profit after income tax	**2,292**	**2,286**	**7,027**	**14,884**	**19,664**
Earnings per share					
Basic	4.8p	4.7p	14.3p	26.4p	33.2p
Diluted	4.7p	4.6p	13.8p	25.8p	32.6p

* The Group has recently concluded discussions with the Conduct Committee of the Financial Reporting Council regarding the level of disclosure required when reversing an unutilised provision against the net realisable value of inventory. As a result, the presentation of the income statement for the year ended 31 March 2013 has been amended to separately disclose the reversal of unutilised inventory provisions within cost of sales (previously disclosed in note 10 of the financial statements for that year). The Conduct Committee's view is that the provision release should have been reflected in the explanation of the drivers of the improved profitability in the business review and analysis of the Group's performance in the year ended March 2013.

The impact of this is purely presentational and there is no change to gross profit, operating profit or profit before and after tax. This disclosure has no impact on the balance sheet or cash flow statement. No additional disclosure is required in respect of any other year.

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Group income statement

31 March 2015

	Note	Year ended 31 March 2015 £000	*Restated Year ended 31 March 2014 £000
Total revenue	1	**173,452**	**140,771**
Less share of revenue from joint ventures		(33,007)	(46,747)
Group revenue	1	**140,445**	**94,024**
Cost of sales		(102,215)	(69,748)
Gross profit		**38,230**	**24,276**
Administrative expenses		(16,675)	(14,071)
Selling expenses		(8,569)	(5,797)
Share of results of joint ventures	8	15,047	16,714
Operating profit	1	**28,033**	**21,122**
Finance income	4	142	406
Finance costs	4	(3,038)	(2,297)
Profit before income tax		**25,137**	**19,231**
Income tax expense	5	(5,473)	(4,347)
Profit after income tax		**19,664**	**14,884**
Earnings per share:			
Basic	7	33.2p	26.4p
Diluted	7	32.6p	25.8p

All activities are in respect of continuing operations.

* Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 21.

Group statement of comprehensive income

31 March 2015

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Movement in derivative financial instruments hedged	(616)	227
Movement in deferred tax on derivative financial instruments hedged	125	(48)
Other comprehensive (expense) income net of tax (items that may be subsequently reclassified into profit or loss)	**(491)**	**179**
Profit for the year	19,664	14,884
Total comprehensive income for the year	**19,173**	**15,063**

Balance sheet
31 March 2015

	Note	Group 31 March 2015 £000	Group *Restated 31 March 2014 £000	Group *Restated 31 March 2013 £000	Company 31 March 2015 £000	Company 31 March 2014 £000
Non current assets						
Investments	8	–	–	–	636	637
Investments in joint ventures	8	2,686	12,104	8,554	1	1
Property, plant and equipment	9	1,028	1,153	406	1,028	1,153
Financial assets	20	–	227	–	–	227
Deferred income tax assets	10	866	852	727	866	852
		4,580	14,336	9,687	2,531	2,870
Current assets						
Inventories	11	254,704	156,159	95,651	253,088	153,176
Trade and other receivables	12	11,694	7,462	21,829	14,024	7,886
Cash and cash equivalents	13	39,659	32,762	22,498	39,136	32,318
		306,057	196,383	139,978	306,248	193,380
Total assets		**310,637**	**210,719**	**149,665**	**308,779**	**196,250**
Non current liabilities						
Trade and other payables	14	(679)	(275)	–	(679)	(275)
Financial liabilities	20	(389)	–	–	(389)	–
		(1,068)	(275)	–	(1,068)	(275)
Current liabilities						
Trade and other payables	14	(94,162)	(75,190)	(35,381)	(95,992)	(81,017)
Borrowings	15	(92,559)	(28,135)	(40,411)	(92,559)	(28,135)
Current income tax liabilities		(2,460)	(1,727)	(1,141)	(2,235)	(1,572)
Hire purchase liabilities		–	–	(3)	–	–
		(189,181)	(105,052)	(76,936)	(190,786)	(110,724)
Total liabilities		**(190,249)**	**(105,327)**	**(76,936)**	**(191,854)**	**(110,999)**
Net assets		**120,388**	**105,392**	**72,729**	**116,925**	**85,251**
Capital and reserves						
Issued share capital	16	6,025	5,940	5,028	6,025	5,940
Share premium		58,551	57,529	38,032	58,551	57,529
Retained earnings		55,812	41,923	29,669	52,349	21,782
Total equity		**120,388**	**105,392**	**72,729**	**116,925**	**85,251**

* Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 21.

These financial statements were authorised for issue by the Board of directors on 26 May 2015 and signed on its behalf by:

Jonathan Di-Stefano
Chief Executive

Katie Rogers
Group Financial Director

Company number: 4118370

Statement of changes in equity

31 March 2015

Group statement of changes in equity	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	**5,028**	**38,032**	**29,669**	**72,729**
Profit for the year	–	–	14,884	14,884
Total other comprehensive income	–	–	179	179
Excess tax on share options	–	–	662	662
Dividend on equity shares	–	–	(3,591)	(3,591)
Proceeds of equity share issues	912	19,497	–	20,409
Share-based payments	–	–	212	212
Purchase of own shares	–	–	(547)	(547)
Sale of own shares	–	–	455	455
Balance at 31 March 2014	**5,940**	**57,529**	**41,923**	**105,392**
Profit for the year	–	–	19,664	19,664
Total other comprehensive expense	–	–	(491)	(491)
Excess tax on share options	–	–	305	305
Dividend on equity shares	–	–	(6,061)	(6,061)
Proceeds of equity share issues	85	1,022	–	1,107
Share-based payments	–	–	218	218
Purchase of own shares	–	–	(670)	(670)
Sale of own shares	–	–	924	924
Balance at 31 March 2015	**6,025**	**58,551**	**55,812**	**120,388**

Company statement of changes in equity	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2013	**5,028**	**38,032**	**23,245**	**66,305**
Profit for the year	–	–	1,167	1,167
Total other comprehensive income	–	–	179	179
Excess tax on share options	–	–	662	662
Dividend on equity shares	–	–	(3,591)	(3,591)
Proceeds of equity share issues	912	19,497	–	20,409
Share-based payments	–	–	212	212
Purchase of own shares	–	–	(547)	(547)
Sale of own shares	–	–	455	455
Balance at 31 March 2014	**5,940**	**57,529**	**21,782**	**85,251**
Profit for the year	–	–	36,342	36,342
Total other comprehensive expense	–	–	(491)	(491)
Excess tax on share options	–	–	305	305
Dividend on equity shares	–	–	(6,061)	(6,061)
Proceeds of equity share issues	85	1,022	–	1,107
Share-based payments	–	–	218	218
Purchase of own shares	–	–	(670)	(670)
Sale of own shares	–	–	924	924
Balance at 31 March 2015	**6,025**	**58,551**	**52,349**	**116,925**

Cash flow statement

31 March 2015

	Group		Company	
	Year ended 31 March 2015 £000	*Restated Year ended 31 March 2014 £000	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Cash flow from operating activities				
Operating profit	28,033	21,122	11,696	2,587
Depreciation	603	495	603	495
Share-based payments	218	212	218	212
Loss (profit) on sale of tangible assets	15	(17)	15	(17)
Increase in inventories and work in progress	(96,134)	(59,079)	(97,501)	(70,369)
(Increase) decrease in receivables	(4,250)	14,371	(6,156)	29,206
Increase in payables	19,530	39,787	15,534	48,167
Share of results from joint ventures	(15,047)	(16,714)	–	–
	(67,032)	177	(75,591)	10,281
Interest paid and debt issue costs	(6,603)	(4,825)	(6,603)	(4,824)
Income tax paid	(4,324)	(3,271)	(4,085)	(2,909)
Dividend received from subsidiaries	–	–	520	4,500
Dividend and distribution received from joint ventures	24,465	13,164	32,186	–
Cash flow from operating activities	**(53,494)**	**5,245**	**(53,573)**	**7,048**
Cash flow from investing activities				
Purchase of tangible assets	(492)	(1,250)	(492)	(1,250)
Proceeds from sale of tangible assets	–	25	–	25
Interest received	142	406	142	376
Cash flow from investing activities	**(350)**	**(819)**	**(350)**	**(849)**
Cash flow from financing activities				
Proceeds from issuance of ordinary share capital	1,107	20,409	1,107	20,409
Purchase of own shares	(670)	(547)	(670)	(547)
Sale of own shares	924	455	924	455
Increase in bank loans	95,000	17,598	95,000	17,598
Repayment of bank loans	(29,559)	(28,483)	(29,559)	(28,483)
Dividend paid	(6,061)	(3,591)	(6,061)	(3,591)
Capital element of hire purchase payments	–	(3)	–	(3)
Cash flow from financing activities	**60,741**	**5,838**	**60,741**	**5,838**
Net increase in cash and cash equivalents	**6,897**	**10,264**	**6,818**	**12,037**
Cash and cash equivalents brought forward	32,762	22,498	32,318	20,281
Cash and cash equivalents carried forward	**39,659**	**32,762**	**39,136**	**32,318**

* Prior year results are restated for the adoption of IFRS 11 'Joint Arrangements', further information is included in note 21.

Statement of accounting policies

31 March 2015

Basis of preparation

The financial statements have been prepared in accordance with applicable 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 financial statements have been prepared under the historical cost convention as modified for reassessment of derivatives at fair value and on a going concern basis.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors best knowledge of the amounts, events or actions, actual results ultimately may differ from those estimates. The most significant estimates made by the directors in these financial statements are set out in 'Critical accounting judgements and key sources of estimation uncertainty'.

Adoption of new accounting standards

The Group has 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 the new 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 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. The impact of adopting these standards is purely presentational and there is no impact on net profits or net assets of the Group. Further details on the restatement required as a result of the adoption of these standards are included in note 21 and the disclosures required by IFRS 12 are included in note 8.

Accounting policies

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the Group's share of results of joint ventures. The results of subsidiaries and joint ventures acquired or disposed of during the year are included in the financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Exemptions

The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and have not presented an income statement or statement of comprehensive income for the Company alone.

Joint ventures

A joint venture is an entity in which the Group holds an interest with one or more other parties where a contractual arrangement has established joint control over the entity. Joint ventures are accounted for using the equity method of accounting. Under this method, the Group's share of post-tax results of joint ventures is included in the Group's operating profit in the consolidated income statement and its interest in their net assets is included in investments in the consolidated balance sheet.

As joint ventures are an integral part of the business, total revenue, including the Group's share of joint venture revenue, is presented on the face of the income statement and reconciled to Group revenue which is the GAAP compliant revenue amount.

Revenue and profit recognition

Properties for open market sale

Revenue and profit is recognised at the point of legal completion of each property. Revenue is the contract price of each property net of any incentives and profit is calculated based on an assessment of the overall revenues and costs expected on that particular development. The assessment of total revenues and total costs expected on each development requires a degree of estimation although in the majority of cases, at the point of handover of open market properties, the development will be nearing completion and therefore profits are more certain.

Construction contracts

Contracts are treated as construction contracts when they have been specifically negotiated for the construction of a development or a number of properties. These contracts are primarily for the construction of affordable homes sold to affordable housing providers. Revenue is only recognised on a construction contract where the outcome can be estimated reliably. Revenue and costs are recognised by reference to the stage of completion of contract activity at the balance sheet date. This is normally measured by an assessment of work performed to date on a cost basis.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

On the balance sheet, the Group reports the net contract position for each contract either as an asset or liability. A contract represents an asset where costs incurred plus recognised profits exceed progress billing and a contract represents a liability where the opposite is the case. These are disclosed as amounts recoverable on contracts.

Sale of freehold assets

Revenue and profit are recognised at the point of legal completion of each freehold asset sale.

Grant income

Grants received are recognised as revenue in the income statement to match with the related costs that they are intended to compensate.

Selling expenses

Selling expenses are charged to the income statement as incurred.

Employee benefits

In accordance with IAS 19 employee benefits are recognised as an expense in the period they are earned by the employee. Under the Group's annual bonus scheme for executive directors and senior management there is a deferred element to be paid in future years. This deferred element is recognised as an expense over the remaining period dependant on the employees continued service.

Borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, being proceeds received net of transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowing costs directly relating to the development of properties that take a substantial period of time to get ready for sale, are capitalised within inventories. Capitalisation of borrowing costs commences from the date of initial expenditure on a given development and continues until the properties are ready for sale.

The capitalisation of borrowing costs is suspended where there are prolonged periods when development activity on a site is interrupted. Capitalisation is not normally suspended during a period when substantial technical and administrative work is being carried out.

All other borrowing costs are charged to the income statement using the effective interest method. Borrowing costs paid are classified as operating activities in the cash flow statement.

Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance.

Hedge accounting – interest rate swaps

The Group has adopted hedge accounting for its interest rate swap designated as a cash flow hedge. The hedge is used to mitigate financial exposure to movements in interest rates. Changes in intrinsic fair value are recognised in other comprehensive income to the extent that the cash flow hedge is determined to be effective. All other changes in fair value are recognised immediately in the income statement. The hedged item is the London Interbank Offered Rate (LIBOR) element of a variable rate bank loan. The accumulated gains and losses previously recognised in other comprehensive income are classified into the income statement as a financial expense over the life of the loan. This has the effect of fixing the LIBOR element of the interest rate recognised in the income statement to the hedge rate over the life of the swap. The effectiveness of the hedge is tested prospectively and retrospectively on an annual basis.

Operating leases

Operating lease rentals are charged to the income statement on a straight line basis over the life of the lease.

Pension costs

Contributions paid to group personal pension schemes (defined contribution), in respect of employees, are charged to the income statement as incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis at rates calculated to write down the cost, less estimated residual value, of each asset over its expected useful life as follows:

Leasehold improvements	– shorter of term of lease and 10 years
Plant and machinery	– 2 to 5 years
Motor vehicles	– 3 years

Investments

Interests in subsidiary undertakings and joint ventures are valued at cost less impairment.

Inventories

Development properties are included in inventories and are stated at the lower of cost and net realisable value. Cost comprises costs of acquisition and development, including directly attributable fees and expenses, direct labour costs and borrowing costs. Included within development properties are freehold interests held in completed developments. The cost of these interests are estimated at initial recognition on the basis of a multiple of annual ground rents and are not subsequently revalued. These are held for future sale.

Statement of accounting policies

31 March 2015

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables and other receivables
Trade receivables on normal terms do not carry any interest and are stated at their nominal value reduced by appropriate allowances for estimated unrecoverable amounts.

Cash and cash equivalents
Cash and cash equivalents are defined as cash balances in hand and in the bank (including short-term cash deposits) which mature within three months or less from the date of acquisition.

Borrowings
Interest bearing bank loans and overdrafts are initially measured at fair value, being proceeds received net of transaction costs and are subsequently measured at amortised costs, using the effective interest rate method.

Trade payables
Trade payables on normal terms are not interest bearing and are stated at their nominal value.

Land creditors
Land creditors are recognised at the point the Group has a commitment to purchase land and all substantive contractual conditions have been satisfied. The liability is initially valued at fair value and discounted to present value. Subsequently the difference between the nominal value and the initial fair value is amortised over the length of the payment period and charged to inventory, increasing the value of the land creditor so that at the date of maturity the land creditor equals the payment required.

Deposits received in advance
Deposits received on exchange of contracts of open market properties are held within trade and other payables until legal completion of the related property.

Financial liabilities and equity instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Planning costs

Planning costs are capitalised and recognised as an asset in work in progress when there is probable future economic benefit expected to arise from those costs.

Current assets and liabilities

Assets that are expected to be realised in, or are intended for sale or consumption in, the Group's normal operating cycle are treated as current even to the extent these are expected to be realised after twelve months from the balance sheet date. Liabilities that are expected to be settled in the Group's normal operating cycle are treated as current even though these may be due for settlement after twelve months from the balance sheet date.

Contingent liabilities

Disclosures are made for each class of contingent liabilities at the balance sheet date detailing, where practicable, an estimate of its financial effect and an indication of uncertainties associated with the timing or amount of the outflow, unless the possibility of a financial outflow is remote.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the profits for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are tax deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Share-based payments

In accordance with IFRS 2, the fair value of equity settled share options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured as at the date the options are granted using the Black-Scholes-Merton pricing model and is charged equally over the vesting period. The amount recognised as an expense is adjusted each reporting period to reflect the actual number of options that are expected to vest.

With respect to share-based payments, a deferred tax asset is recognised on the relevant tax base. The tax base is then compared to the cumulative share-based payment expense recognised in the income statement. Deferred tax arising on the excess of the tax base over the cumulative share-based payment expense recognised in the income statement has been recognised directly in equity.

Own shares

Shares held by employee benefit trusts in order to satisfy awards under the Group's share plans are included net within equity until such time as the shares are vested to the relevant employees.

Critical accounting judgements and key sources of estimation uncertainty

Construction contract revenue and profit recognition
Contract revenue is recognised from the date of exchange of construction contracts at a rate equivalent to the value of work undertaken in respect of land development. Contract profit on construction contracts is recognised in proportion to revenue only to the extent that the total eventual profit on the contract can be foreseen with reasonable certainty.

Assessing the percentage complete on each contract involves estimation of total expected costs to be incurred until the end of the contract. Recognition of profit also involves estimation of the total expected revenues from each contract and therefore the expected profit margin that will be achieved. The expected profit margins for individual sites are updated on a regular basis and are reviewed by the board as part of established controls procedures. Judgement is required to assess whether the total eventual profit on each contract can be foreseen with reasonable certainty (note 12).

Carrying value of land and work in progress
Inventories include land and work in progress in respect of development sites. On each development judgement is required to assess whether the cost of land and any associated work in progress is in excess of its net realisable value (note 11).

Future adoption of new and revised Standards and Interpretations

At the date of the authorisation of these financial statements, there are a number of standards, amendments and interpretations that have been published but are not yet effective for the year ended 31 March 2015 and have not been adopted early.

The following standard is expected to impact the Group:

- IFRS15 'Revenue from contracts with customers' is expected to impact the timing of the recognition of selling expenses. A full assessment of this will be undertaken once the standard is EU endorsed.

The following standard is relevant to the Group but is not expected to have any material impact:

- IFRS 9 'Financial instruments'.

Notes to the financial statements

31 March 2015

1 Operating profit

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Operating profit is stated after charging (crediting):		
Depreciation		
– owned assets	353	388
– hire purchase assets	–	2
Operating lease rentals		
– property	318	314
– motor vehicles	633	587
Loss (profit) on sale of tangible assets	15	(17)

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
The following has been charged in respect of auditors' remuneration:		
Audit and related services (PricewaterhouseCoopers LLP)		
Statutory audit of the Company and Group financial statements	87	74
The audit of joint ventures and subsidiary accounts pursuant to legislation	13	18
Audit related assurance services	3	3
Other services including non-audit services (PricewaterhouseCoopers LLP)		
Tax compliance services	26	25
All other non-audit services	37	23

Amounts payable to the Company's auditors and their associates in respect of services to the Company, other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

Grant income
The Group has a total grant allocation from the Greater London Authority of £3.1 million from the 2011 – 2015 programme which had all been received at 31 March 2015. The Group has also been allocated £0.4 million of grant from the Mayors Housing Covenant 2015 – 2018 programme of which £nil had been received at 31 March 2015. Grant income is recognised as revenue in the income statement on a percentage of completion basis to match with the costs it is intended to compensate. The total grant allocation is made up of individual site by site allocations the receipt of which is dependent upon constructing the planned affordable housing on each site.

Revenue
Our accounting policies for revenue recognition on open market sales, construction contracts and freehold assets are outlined on pages 54 to 55. The revenue recognised in the period was as follows:

	Year ended 31 March 2015 £000	Restated Year ended 31 March 2014 £000
Open market revenue	106,432	68,224
Contract revenue	33,072	21,535
Freehold sales	–	1,980
Other	941	2,285
Group revenue	140,445	94,024
Share of revenue from joint ventures	33,007	46,747
Total revenue	**173,452**	**140,771**

2 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 operating decision makers for the Group, these being the Board of directors.

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 GAAP compliant information in the financial statements is as follows:

Year ended 31 March 2015	**Management information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	173,452	(33,007)	140,445
Cost of sales	(119,592)	17,377	(102,215)
Gross profit	53,860	(15,630)	38,230
Administrative expenses	(16,693)	18	(16,675)
Selling expenses	(9,147)	578	(8,569)
Share of results of joint ventures	–	15,047	15,047
Operating profit	28,020	13	28,033
Net finance costs	(2,892)	(4)	(2,896)
Profit before income tax	25,128	9	25,137
Income tax expense	(5,464)	(9)	(5,473)
Profit after income tax	**19,664**	**–**	**19,664**
Inventories	277,161	(22,457)	254,704
Other assets	53,046	2,887	55,933
Total liabilities	(209,819)	19,570	(190,249)
Net assets	**120,388**	**–**	**120,388**

Year ended 31 March 2014	**Management information £000**	**Remove share of joint ventures £000**	**GAAP £000**
Revenue	140,771	(46,747)	94,024
Cost of sales	(98,701)	28,953	(69,748)
Gross profit	42,070	(17,794)	24,276
Administrative expenses	(14,143)	72	(14,071)
Selling expenses	(6,748)	951	(5,797)
Share of results of joint ventures	–	16,714	16,714
Operating profit	21,179	(57)	21,122
Net finance costs	(1,949)	58	(1,891)
Profit before income tax	19,230	1	19,231
Income tax expense	(4,346)	(1)	(4,347)
Profit after income tax	**14,884**	**–**	**14,884**
Inventories	173,110	(16,951)	156,159
Other assets	41,792	12,768	54,560
Total liabilities	(109,510)	4,183	(105,327)
Net assets	**105,392**	**–**	**105,392**

Notes to the financial statements

31 March 2015

3 Employee benefit expense

The average monthly number of persons employed by the Group and Company, including executive directors, during the year analysed by activity was as follows:

	Year ended 31 March 2015 Number	Year ended 31 March 2014 Number
Construction	103	95
Administration	109	100
	212	**195**

The employment costs of all employees included above were:

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Wages and salaries	14,026	12,100
Social security costs	1,668	1,429
Other pension costs – group personal pension arrangements	605	535
Share-based payments (note 17)	218	212
	16,517	**14,276**

The Company operates a group personal pension scheme for its employees. At 31 March 2015 payments of £74,983 were due to the scheme (2014: £549).

Six current directors are accruing benefits under group personal pension arrangements (2014: Seven).

Key management remuneration

Key management personnel, as defined under IAS 24 (Related Party Disclosures), have been identified as the directors as all key decisions are reserved for the Board, along with the Company Secretary / Director of Legal Services who attends all board meetings.

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Wages and salaries (including bonuses)	2,749	2,407
Social security costs	327	284
Other pension costs	145	131
Share-based payments	21	31
	3,242	**2,853**

Detailed disclosures of directors' individual remuneration, pension entitlement and share options for those directors who served in the year are given in the directors' remuneration report on pages 40 to 41.

4 Finance income and costs

	Year ended 31 March 2015 £000	Restated Year ended 31 March 2014 £000
Finance income		
Interest income on short-term bank deposits	129	362
Other interest income	13	44
	142	406
Finance costs		
Interest payable on bank loans and overdrafts	(1,517)	(1,725)
Movement on interest rate derivatives	–	(1)
Amortisation of facility fees	(1,521)	(571)
	(3,038)	(2,297)
Net finance costs	**(2,896)**	**(1,891)**

Included within amortisation of facility fees for the year ended 31 March 2015 are accelerated facility fees of £934,000 relating to the previous facility which has been fully repaid. These fees were expensed in full when the new revolving credit facility was signed on 4 March 2015.

Further information on borrowings is given in note 20.

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31 March 2015

5 Taxation

	Year ended 31 March 2015 £000	Restated Year ended 31 March 2014 £000
United Kingdom corporation tax on profits for the year	5,330	4,339
Adjustment in respect of prior periods	76	(4)
Total current taxation	5,406	4,335
Deferred taxation (note 10)	67	12
Income tax expense	**5,473**	**4,347**

In addition to the amount charged to the income statement, deferred tax of £81,000 relating to share-based payments and financial instruments hedged and £349,000 relating to current tax have been credited directly to equity (2014: £137,000 and £477,000 credited).

Reconciliation of effective tax rate
The tax assessed for the year is higher (2014: lower) than the theoretical amount that would arise using the tax rate applicable to profits of the consolidated entities. The differences are explained below:

Profit before income tax	25,137	19,231
Profit on ordinary activities before taxation at the rate of corporation tax	5,279	4,423
Effects of:		
Losses not recognised	1	17
Adjustment in respect of prior periods	76	(4)
Expenses not deductible for tax purposes including movements in deferred tax	142	(1)
Tax effect of share-based payments	(21)	(80)
Tax relief on land remediation costs	(4)	(8)
Income tax expense	**5,473**	**4,347**

The tax payable for the year has been reduced by £20,000 because of consortium relief received from a Group joint venture for which a payment of £17,000 was made on 17 September 2014. Tax payable in the year ended 31 March 2014 was reduced by £3,000 for which a payment of £2,000 was made on 28 August 2013.

The applicable tax rate was 21.0% (2014: 23.0%).

During the year, as a result of the change in the United Kingdom corporation tax rate from 21% to 20% that was substantively enacted and will be effective from 1 April 2015, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year to 31 March 2016 has been measured using the effective rate that will apply in the United Kingdom for the period of 20%. The effects of these changes were not material.

6 Dividend paid

	Year ended 31 March 2015 £000	Year ended 31 March 2014 £000
Prior year final dividend paid in July 2014 of 5.1p (July 2013: 2.8p)	3,029	1,412
Interim dividend paid in January 2015 of 5.1p (January 2014: 3.7p)	3,032	2,179
	6,061	**3,591**

The final dividend proposed for the year ended 31 March 2015 is 6.0 pence per ordinary share. This dividend was declared after 31 March 2015 and as such the liability of £3,615,000 has not been recognised at that date.

7 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 2015	Year ended 31 March 2014
Weighted average number of shares in issue	59,246,624	56,273,560
Dilution – effect of share schemes	1,067,436	1,500,486
Diluted weighted average number of shares in issue	60,314,060	57,774,046
Profit on ordinary activities after taxation	£19,664,000	£14,884,000
Earnings per share:		
Basic	33.2p	26.4p
Diluted	32.6p	25.8p

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Notes to the financial statements

31 March 2015

8 Investments

Company

Investments in subsidiary undertakings

	31 March 2015 £000	31 March 2014 £000
At 31 March valued at cost	**636**	**637**

During the year ended 31 March 2015 Telford Homes (Romford) Limited was dissolved.

There have been no other additions or disposals of investments in subsidiary undertakings during the year ended 31 March 2015 or the year ended 31 March 2014.

The subsidiary undertakings which principally affect profits and net assets of the Group comprise:

	Share of ordinary capital held by the Group	Country of registration	Accounting date	Principal activity
Telford Homes (Creekside) Limited	100%	Scotland	31 March	Property development
Telford Homes Contracting Limited	100%	England	31 March	Contracting

A full list of subsidiary undertakings is available on request from the Group's registered office.

Investments in joint ventures

	31 March 2015 £000	31 March 2014 £000
At 31 March valued at cost	**1**	**1**

Group

Investments in joint ventures

The joint ventures which principally affect profits and net assets of the Group comprise:

	Share of ordinary capital held by the Group	Country of registration	Accounting date	Principal activity
Bishopsgate Apartments LLP	50%	England	31 March	Property development
Mulatel LLP	50%	England	31 March	Property development
Chobham Farm North LLP	50%	England	31 March	Property development

On 17 October 2014 a new joint venture Chobham Farm North LLP was entered into with Notting Hill Housing Group to acquire and develop a site in Stratford. There have been no other additions or disposals of investments in joint ventures during the year ended 31 March 2015 or the year ended 31 March 2014.

A full list of joint ventures is available on request from the Group's registered office.

Investments in joint ventures are accounted for under the equity method. The financial information of the joint ventures are summarised below and reconciled to the Group balance sheet.

Year ended 31 March 2015	Bishopsgate Apartments LLP	Mulatel LLP	Chobham Farm North LLP	Other	Total
Revenue	64,235	1,262	–	600	66,097
Operating profit (loss)	28,837	347	–	(10)	29,174
Finance income	7	–	–	–	7
Profit (loss) before tax	28,844	347	–	(10)	29,181
Current assets	1,923	488	43,447	–	45,858
Cash	77	7	–	–	84
Current liabilities	(1,653)	(184)	(38,738)	–	(40,575)
Amounts due from (to) members	2,048	47	(4,709)	–	(2,614)
Net assets	2,395	358	–	–	2,753
Remove joint venture partners share of net assets	(1,198)	(180)	–	–	(1,378)
Remove share of amounts due (to) from joint venture partners	(1,024)	(24)	2,354	–	1,306
Consolidation adjustments	2	3	–	–	5
Investments in joint ventures	**175**	**157**	**2,354**	**–**	**2,686**

Chobham Farm North LLP has exchanged contracts to purchase a significant site in Stratford for £44.0 million by 16 January 2016. A land creditor has been recognised at 31 March 2015 of £38.6 million being the fair value of the remaining land purchase price discounted to present value.

Year ended 31 March 2014	Bishopsgate Apartments LLP	Mulatel LLP	Chobham Farm North LLP	Other	Total
Revenue	77,721	16,517	–	–	94,238
Operating profit (loss)	28,995	3,705	–	(172)	32,528
Finance income	6	–	–	–	6
Finance costs	(49)	(73)	–	–	(122)
Profit (loss) before tax	28,952	3,632	–	(172)	32,412
Current assets	34,399	215	–	602	35,216
Cash	331	26	–	58	415
Current liabilities	(10,246)	(279)	–	(7)	(10,532)
Amounts due from members	6,565	5,747	–	512	12,824
Net assets	31,049	5,709	–	1,165	37,923
Remove joint venture partners share of net assets	(15,525)	(2,855)	–	(582)	(18,962)
Remove share of amounts due to joint venture partners	(3,283)	(2,873)	–	(256)	(6,412)
Consolidation adjustments	(447)	18		(16)	(445)
Investments in joint ventures	**11,794**	**(1)**	**–**	**311**	**12,104**

After removing the share of joint ventures not owned by the Group and consolidation adjustments, the share of results of joint ventures figure included in the Group income statement for the year ended 31 March 2015 is £15,047,000 (2014: £16,714,000).

Notes to the financial statements

31 March 2015

9 Property, plant and equipment

Group and Company	Leasehold improvements £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost				
At 1 April 2013	351	1,516	59	1,926
Additions	456	726	68	1,250
Disposals	–	(239)	(59)	(298)
At 31 March 2014	807	2,003	68	2,878
Additions	20	472	–	492
Disposals	(17)	(472)	–	(489)
At 31 March 2015	**810**	**2,003**	**68**	**2,881**
Depreciation				
At 1 April 2013	193	1,272	55	1,520
Charge	70	402	23	495
Disposals	–	(231)	(59)	(290)
At 31 March 2014	263	1,443	19	1,725
Charge	97	483	23	603
Disposals	(3)	(472)	–	(475)
At 31 March 2015	**357**	**1,454**	**42**	**1,853**
Net book value				
At 31 March 2014	544	560	49	1,153
At 31 March 2015	**453**	**549**	**26**	**1,028**

Authorised future capital expenditure that was contracted, but not provided for, in these financial statements amounted to £nil (2014: £nil).

10 Deferred income tax

Group and Company	31 March 2015 £000	31 March 2014 £000
Deferred tax assets	914	943
Deferred tax liabilities	(48)	(91)
Deferred tax assets	**866**	**852**

As permitted by IAS 12 (Income Taxes), certain deferred tax assets and liabilities have been offset as they arise in the same tax jurisdiction and are settled on a net basis.

The movement on the deferred income tax account is as follows:

	31 March 2015 £000	31 March 2014 £000
Brought forward	852	727
Charged to the income statement	(67)	(12)
Credited directly to equity	81	137
	866	**852**

The movement in deferred tax assets and liabilities during the year is as follows:

	Capital allowances £000	Share-based payments £000	Financial instrument transactions £000	Total £000
At 1 April 2013	57	670	–	727
(Charged) credited to the income statement	(18)	6	–	(12)
Credited (charged) directly to equity	–	185	(48)	137
At 31 March 2014	**39**	**861**	**(48)**	**852**
Credited (charged) to the income statement	7	(74)	–	(67)
(Charged) credited directly to equity	–	(44)	125	81
At 31 March 2015	**46**	**743**	**77**	**866**

The cumulative deferred tax credited directly to equity amounts to £785,000 (2014: £704,000).

Notes to the financial statements

31 March 2015

11 Inventories

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Development properties	**254,704**	**156,159**	**253,088**	**153,176**

All inventories are considered to be current in nature. The operating cycle is such that a proportion of inventories will not be realised within twelve months. It is not possible to determine with accuracy when specific inventory will be realised as this will be subject to a number of issues such as consumer demand and planning permission delays.

Included within development properties for the Group are freehold interests held for future sale of £5,067,000 (2014: £4,525,000). During 31 March 2015 the Group recognised £542,000 of new freehold interests and there were no freehold sales (2014: the Group disposed of £1,870,000 of freehold interests receiving sales proceeds of £1,980,000 and recognised £557,000 of new freehold interests). Included within development properties for the Company are freehold interests held for future sale of £3,864,000 (2014: £3,359,000).

The value of inventories expensed in cost of sales by the Group in the year ended 31 March 2015 was £100,338,000 (2014: £66,867,000). Costs capitalised by the Group during the year include interest of £2,411,000 (2014: £1,429,000), which is capitalised based on the cost of site specific borrowings.

During the year the Group conducted a review of the net realisable value of its inventories. Where the estimated net realisable value has changed due to movements in cost and revenue estimates and this was less than the carrying value within the balance sheet the Group has written down the value of inventories. The total amount recognised as an expense was £713,000 (2014: £nil). During the year ended 31 March 2015 no expense was recognised within cost of sales in relation to the realisation of written down inventory above its estimated net realisable value (2014: £nil).

12 Trade and other receivables

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Current receivables				
Amounts recoverable on contracts	4,235	3,184	4,219	3,162
Amounts owed by Group undertakings	–	–	–	140
Amounts owed by joint ventures	1,431	2,168	3,785	2,168
Trade receivables	195	176	195	176
Other receivables	3,961	866	3,953	1,173
Prepayments and accrued income	1,872	1,068	1,872	1,067
	11,694	**7,462**	**14,024**	**7,886**

Amounts recoverable on contracts
Contract revenue of £33,072,000 (2014: £21,535,000) has been recognised by the Group in the year.

In relation to contracts in progress at the balance sheet date:

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Contracts where costs incurred plus recognised profits exceed receipts to date included in receivables	4,235	3,184	4,219	3,162
Contracts where receipts to date exceed costs incurred plus recognised profits included in payables	(4,107)	(5,119)	(4,107)	(5,119)
	128	**(1,935)**	**112**	**(1,957)**
Total costs incurred plus recognised profit on contracts	174,399	213,648	150,073	193,946
Receipts to date	(174,271)	(215,583)	(149,961)	(195,903)
	128	**(1,935)**	**112**	**(1,957)**

At 31 March 2015 retentions held by customers for contract work performed by the Group included within amounts recoverable on contracts amounted to £1,833,000 (2014: £1,484,000).

13 Cash and cash equivalents

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Cash at bank and in hand	**39,659**	**32,762**	**39,136**	**32,318**

Notes to the financial statements

31 March 2015

14 Trade and other payables

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Current payables				
Trade payables	13,255	11,484	13,255	11,473
Amounts due to joint ventures	–	–	1,047	6,413
Amounts due to subsidiaries	–	–	2,307	676
Amounts recoverable on contracts (note 12)	4,107	5,119	4,107	5,119
Deposits received in advance	63,744	41,601	63,721	41,597
Social security and other taxes	1,003	501	581	438
Accrued expenses	12,053	8,482	10,974	7,298
Land creditors	–	8,003	–	8,003
	94,162	**75,190**	**95,992**	**81,017**
Non current				
Due in more than one year and less than five years				
Accrued expenses	**679**	**275**	**679**	**275**
Total trade and other payables	**94,841**	**75,465**	**96,671**	**81,292**

15 Borrowings

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Bank loans	95,000	29,559	95,000	29,559
Transaction costs	(2,441)	(1,424)	(2,441)	(1,424)
	92,559	28,135	**92,559**	28,135

Further information on borrowings is given in note 20.

16 Share capital

Group and Company	31 March 2015 £000	31 March 2014 £000
Authorised		
100,000,000 ordinary shares of 10p each	10,000	10,000
Allotted, called up and fully paid		
60,250,000 ordinary shares of 10p each (2014: 59,400,000)	6,025	5,940

During the year 630,888 shares were issued at prices ranging from 64p to 90.5p as a result of share options being exercised.

On 27 March 2015, 219,112 ordinary shares were issued at 289.5p to Telford Homes Trustees Limited to satisfy the requirements of the Share Incentive Plan (note 17).

Ordinary shares may be issued in the future to satisfy the exercise of outstanding share options (note 17).

Details of own shares held within employee benefit trusts are disclosed in note 17.

All shares rank equally in respect of shareholder rights.

Notes to the financial statements

31 March 2015

17 Employee Share Schemes

Telford Homes Plc Employee Share Option Scheme

A charge is made to the income statement to reflect the calculated fair value of employee share options. This charge is calculated at the date of grant of the options and is charged equally over the vesting period. The corresponding adjustment to equity is made directly to retained earnings. In accordance with IFRS 2 (Share-based payments), only costs relating to options issued after 7 November 2002 have been charged to the income statement.

The Group operates both an approved share option scheme and an unapproved share option scheme. Awards under each scheme are made periodically to new employees. All schemes are equity-settled and options can normally be exercised three years after the grant date.

The Group has used the Black-Scholes-Merton formula to calculate the fair value of outstanding options. Individual calculations have been performed for groups of share options with differing exercise prices and dates. The assumptions applied to the Black-Scholes-Merton formula for share options issued in the year ended 31 March 2015 and the fair value per option are set out below. There were no share options granted in the year ended 31 March 2014.

	2015	2014
Expected life of options based on options exercised to date	4 years	–
Volatility of share price based on three year share price history	24%	–
Dividend yield	1.9%	–
Risk free interest rate	0.5%	–
Weighted average share price at date of grant	294p	–
Weighted average exercise price	294p	–
Weighted average fair value per option	£0.46	–

Expected volatility was determined by considering the volatility levels historically for the Group. Volatility in more recent years is considered to have more relevance than earlier years for the period reviewed.

The charge calculated for the year ended 31 March 2015 is £59,000 (2014: £62,000).

A reconciliation of option movements during each period is shown below:

	2015		2014	
	Number 000's	Weighted average exercise price	Number 000's	Weighted average exercise price
Outstanding at 1 April	1,903	84p	2,931	79p
Granted in the year	100	294p	–	–
Forfeited in the year	(20)	91p	–	–
Exercised in the year	(631)	75p	(1,028)	68p
Outstanding at 31 March	**1,352**	**104p**	**1,903**	**84p**
Exercisable at 31 March	**1,182**	**82p**	**731**	**69p**

The aggregate fair value of options granted in the year was £46,000 (2014: £nil).

A total of 630,888 share options were exercised at a weighted average price of 75p in the year ended 31 March 2015 (2014: 1,028,316 shares at 68p).

At 31 March 2015 outstanding options granted over 10p ordinary shares were as follows:

Share option scheme	Option price	Number	Date exercisable
Group approved	110p	27,272	12 June 2011 to 12 June 2018
	64p	176,000	20 July 2012 to 20 July 2019
	90.5p	322,000	9 Feb 2015 to 9 Feb 2022
	200p	70,000	15 Mar 2016 to 15 Mar 2023
	294p	100,000	28 May 2017 to 28 May 2024
Group unapproved	75p	220,000	1 Oct 2005 to 1 Oct 2015
	79p	170,000	23 May 2014 to 23 May 2021
	90.5p	267,000	9 Feb 2015 to 9 Feb 2022

Telford Homes Plc Share Incentive Plan
During the year ended 31 March 2004 Telford Homes Plc set up a Share Incentive Plan (SIP) for the benefit of all of the employees of the Group. This SIP has been approved by the Inland Revenue and confers certain tax advantages for participating employees.

The SIP provides for employees to purchase shares up to a value of £1,500 in each tax year. These shares are known as 'Partnership shares'. Partnership shares are matched on a one for one basis by 'Matching shares' provided by the Group subject to the shares remaining in the SIP for a period not less than three years. Dividends are paid on both Partnership and Matching shares and these are allocated to employees as 'Dividend shares'.

The Group has set up a trust to administer the SIP and to hold shares on behalf of individual employees. This trust is an entirely separate entity to the Group and is managed by a corporate trustee, Telford Homes Trustees Limited. The costs associated with the trust are paid for by the Group and the Group finances all share purchases.

The trust has distributed shares as Partnership shares and Dividend shares to employees participating in the scheme. These shares remain in the trust until such time as an employee withdraws from the SIP. Further shares have been allocated to employees as Matching shares and the cost of these shares is being written off over the three year holding period. The charge in the year ended 31 March 2015 is £159,000 (2014: £150,000).

During the year ended 31 March 2015 the trust acquired 219,112 shares at 289.5p. At 31 March 2015 the trust remains interested in 166,578 shares (2014: 135,700) which have not been allocated to employees and a further 281,532 (2014: 381,787) that have been allocated to employees as Matching shares but have not yet vested. Shares in which the trust remains interested do not rank for dividends and all shares that have not yet vested do not count in the calculation of the weighted average numbers of shares used to calculate earnings per share.

Shares held by the SIP are recognised as a deduction from shareholders' funds. The value of these shares at 31 March 2015 was £841,181 (2014: £792,390). Movements in retained earnings relating to the SIP are shown in the statement of changes in equity.

Telford Homes Plc 2006 Deferred Payment Share Purchase Plan
During the year ended 31 March 2007 Telford Homes Plc set up a Deferred Payment Share Purchase Plan (DPSPP) for the benefit of selected senior employees. An employee benefit trust (the Telford Homes Plc 2006 Employee Benefit Trust) was set up with Abacus Corporate Trustee Limited acting as trustee.

Participants in the DPSPP are offered a loan by the trustee to enable them to subscribe for a specified number of shares in the Group at market value. This loan is interest free repayable on or before the repayment date which is normally 20 years from the date of the loan or on leaving employment or disposing of the shares. The loan has a limited recourse such that repayment is limited to the value of the shares on the repayment date. The Group will lend the trustee sufficient funds to enable the trustee to provide the loans to individual participants. All shares acquired under the DPSPP will be subject to a three year vesting period and are held by the trustee for the benefit of the participants. Offers to participants will be made periodically at the discretion of the directors of Telford Homes Plc.

In September 2006 selected employees were offered, and subscribed for, a total of 550,000 shares at the market value of 260p. These shares were issued on 9 November 2006. On this date the Group provided a loan to the trustee of £1,430,000 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and November 2026 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity. In the year ended 31 March 2015, £456,000 of this loan has been repaid leaving an outstanding balance of £963,000 (2014: £1,419,000).

In December 2007 selected employees were offered, and subscribed for, a total of 160,000 shares at the market value of 244p. These shares were issued on 14 December 2007. On this date the Group provided a loan to the trustee of £390,400 to enable the trustee to provide a loan to each of the participants. This loan is repayable at the earlier of the sale of the vested shares and December 2027 and has been recognised as a deduction from shareholders' funds in the statement of changes in equity. In the year ended 31 March 2015, £2,000 of this loan has been repaid leaving an outstanding balance of £387,000 (2014: £389,000).

Shares held in Trust
At 31 March 2015 employee benefit trusts held interests in 983,110 shares at a nominal value of 10p this represents 1.6% of the Company's allocated share capital (2014: 1,227,478 shares at 10p nominal value representing 2.1%).

Notes to the financial statements

31 March 2015

18 Commitments and contingent liabilities

Commitments
At 31 March, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Property leases		Other leases	
	2015 £000	**2014 £000**	**2015 £000**	**2014 £000**
Within one year	444	378	653	530
Between one and five years	1,778	1,512	641	505
Over five years	1,437	819	–	–
	3,659	**2,709**	**1,294**	**1,035**

Operating lease payments represent rentals payable by the Company for its office premises and motor vehicles. On 6 March 2015 the Group entered into a contract for a 15 year lease of a commercial unit in Stratford which will be used as a sales centre and office.

Contingent liabilities
On 27 September 2013 the Company purchased its Horizons development in Tower Hamlets. The site was acquired for consideration equating to a variable percentage of the open market sales proceeds that are achieved from the future development. The total payments are expected to be approximately £24.2 million (2014: £24.0 million). An advance of £4.0 million (2014: £4.0 million) has been paid to date and the remainder will be settled directly from open market sales proceeds on individual legal completions.

On occasions the Group enters into contracts to purchase land subject to conditions being satisfied such as obtaining a planning consent. At 31 March 2015 the Company had entered into conditional contracts to the value of £12.2 million for which the conditions had not been fully satisfied (2014: £27.8 million).

19 Related party transactions

The Board and certain members of senior management are related parties within the definition of IAS 24 (Related Party Disclosures).

Property purchases by directors of Telford Homes Plc
In November 2012 David Durant exchanged contracts on the purchase of an apartment from the Company at its Stratford Plaza development. The purchase price was £342,000 and the Company has received a deposit of £68,400 at 31 March 2015 (2014: £68,400) with the balance due on legal completion.

In November 2012 Andrew Wiseman exchanged contracts on the purchase of an apartment from the Company at its Stratford Plaza development. The purchase price was £345,800 and the Company has received a deposit of £69,160 at 31 March 2015 (2014: £69,160) with the balance due on legal completion.

The directors are of the opinion that these sales were made at open market prices. Both purchases were approved at the Annual General Meeting on 11 July 2013.

There have been no other transactions between key management personnel and the Group other than remuneration in the year ended 31 March 2015 or the year ended 31 March 2014.

Transactions between the Group and its joint ventures
The amounts outstanding from joint ventures to the Group and Company for trading balances at 31 March 2015 totalled £1,431,000 (2014: £2,168,000). A total of £2,354,000 was owed to the Company at 31 March 2015 from joint ventures in respect of shareholder advances (2014: £nil). The Company owed £1,047,000 to joint ventures at 31 March 2015 (2014: £6,413,000).

The Company has invoiced joint ventures £3,944,000 in the year to 31 March 2015 for construction services (2014: £18,386,000). The Company was invoiced £nil by joint ventures in the year to 31 March 2015 (2014: £10,000).

Amounts owed to and by joint ventures and balances between the Company and its subsidiaries are non-interest bearing and are repayable when the counterparty has sufficient cash to repay the loans.

Transactions between the Company and its subsidiaries
Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The amounts owed by subsidiaries to the Company at 31 March 2015 totalled £nil (2014: £140,000) and the Company owed subsidiaries £2,307,000 (2014: £676,000).

The Company has invoiced subsidiaries £29,000 in the year to 31 March 2015 for construction services (2014: £322,000). The Company has been invoiced £nil in the year to 31 March 2015 by subsidiaries (2014: £nil).

Joint ventures and subsidiaries do not transact with each other.

Notes to the financial statements

31 March 2015

20 Financial instruments

Categories of financial assets and financial liabilities are as follows:

	Group		Company	
	31 March 2015 £000	Restated 31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Financial assets				
Assets held at fair value:				
Interest rate swap	–	227	–	227
Loans and receivables:				
Amounts owed by Group undertakings	–	–	–	140
Amounts owed by joint ventures	1,431	2,168	3,785	2,168
Trade receivables	195	176	195	176
Other receivables	3,961	866	3,953	1,173
Cash and cash equivalents	39,659	32,762	39,136	32,318
	45,246	**36,199**	**47,069**	**36,202**
Financial liabilities				
Liabilities held at fair value:				
Interest rate swap	389	–	389	–
Amortised cost:				
Trade payables and accrued expenses	25,308	19,966	24,229	18,771
Amounts due to joint ventures	–	–	1,047	6,413
Amounts due to subsidiaries	–	–	2,307	676
Bank loans	95,000	29,559	95,000	29,559
Land creditors	–	8,003	–	8,003
	120,697	**57,528**	**122,972**	**63,422**

The Group has an interest rate swap designated as a cash flow hedge. The hedge is used to mitigate the financial exposure to movements in interest rates. The Group has no direct exposure to exchange rate movements as any purchases or sales outside of the United Kingdom are denominated in sterling.

Interest rate swap

The fair value of the interest rate swap at 31 March 2015 was a £389,000 liability (2014: £227,000 asset). This is measured using valuations acquired from third party banks and is a level two valuation. Hedge accounting was applied and no ineffectiveness arose in the period. The notional principal amount of the interest rate swap is £50.0 million.

Trade and other receivables and trade payables

The fair value of trade and other receivables, amounts owed by and to Group undertakings and joint ventures, trade payables and land creditors at 31 March 2015 is equal to the carrying value stated in the balance sheet at that date. There are no amounts included within trade and other receivables currently overdue (2014: £nil). All trade and other receivables and trade payables are due within one year.

Borrowings
The Group uses loan finance, all of which is denominated in sterling, to acquire development land and undertake site construction. On 4 March 2015 the Group signed a new revolving credit facility for £180 million which extends to March 2019 with a club of four banks being The Royal Bank of Scotland, HSBC, Santander and Allied Irish Bank. The debt drawn under this facility is secured against the assets of the Group and is monitored by financial covenants. At 31 March 2015 the Group had utilised £95.0 million of this facility leaving an unutilised balance of £85.0 million. Interest is being charged on this facility at LIBOR plus a margin which ranges from 2.8% to 4.0% depending on the Group's level of gearing.

All borrowings are treated as current even though these may be due for settlement after twelve months from the balance sheet date as they are expected to be settled in the Group's normal operating cycle. For all borrowings fair value is materially equivalent to the original book value.

Market risk
The Group is exposed to the financial risk of changes in interest rates both in terms of changes in the base rate and LIBOR and in terms of individual banks attitude to market risk and their application of either base rate or LIBOR to new facilities and the margin applied to each new facility.

In order to assess the risk interest costs are forecast on a monthly basis over a five year period using estimates of likely changes in rates and actual costs are compared to this forecast. Volatility of interest costs remained at an acceptable level in the year ended 31 March 2015 as LIBOR remains at a historically low level. Interest on all facilities currently held is charged at floating interest rates and the Group assesses the requirement for fixing interest rates on a regular basis.

From 1 October 2014 the Group reduced its exposure to movements in interest rates by entering into an interest rate swap. The Group receives interest on the swap at LIBOR and pays a fixed rate of 1.115%. The effective date of the swap is 1 October 2014 and the maturity date is 30 September 2016 securing the interest rate paid on £50 million of the Group's £180 million revolving credit facility for this period.

The effect on the income statement of a 1% rise and a 1% fall in interest rates has been calculated to assess interest rate sensitivity. Based on average monthly borrowings in the year, a 1% rise in interest rates would have a negative effect of £366,000 before tax (2014: £452,000), a 1% fall in interest rates gives the same but opposite effect.

Capital risk
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and meet its liabilities as they fall due whilst maintaining an appropriate capital structure to reduce the costs of capital. The Group considers its capital to be all of the components of equity and borrowings.

The Group ensures that there are appropriate controls over the purchase of land and levels of work in progress in the business in order to appropriately manage its capital. In addition, the other methods by which the Group can manage its short-term and long-term capital structure include adjusting the level of ordinary dividends paid to shareholders, issuing new share capital and arranging debt.

Credit risk
Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Trade and other receivables includes amounts recoverable on contracts which are due from housing associations and balances due from other Group undertakings. The Group considers the credit quality of the various debtors to be good in respect of the amounts outstanding and therefore credit risk is considered to be low.

Surplus cash is held in secure bank deposit accounts with The Royal Bank of Scotland, HSBC, Santander and Lloyds.

Notes to the financial statements

31 March 2015

20 Financial instruments continued

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its obligations as they fall due.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows over a five year period and performing sensitivity analysis on these forecasts. The forecasts are necessarily subject to a number of assumptions and judgements and these are tested on a reasonable basis by the sensitivity analysis. These forecasts and the related sensitivity analysis are reviewed by the directors in detail on a monthly basis. In addition all of the forecasts and supporting calculations are made available to each bank funding the Group on a monthly basis. The current forecasts show positive cash balances beyond the next twelve months even where this is subjected to sensitivity testing.

The Group utilises bank facilities to ensure that adequate funding is available to cover working capital requirements and the directors consider that existing facilities are sufficient to cover funding requirements in the foreseeable future both where these have already been utilised and where they are currently unutilised.

The Group's bank facilities are subject to a number of general and financial covenants which are tested periodically by each bank. In all cases the directors have assessed whether the Group will remain in compliance with the covenants for at least twelve months after signing the financial statements and are satisfied that it is highly unlikely there will be any breach of covenants.

The maturity profile of the anticipated future cash flows based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis (including future interest payments using the latest applicable rates) is as follows:

	Trade payables and accrued expenses £000	Land creditors £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	25,308	–	3,800	389	29,497
More than one year and less than two years	–	–	3,800	–	3,800
More than two years and less than five years	–	–	102,283	–	102,283
31 March 2015	**25,308**	**–**	**109,883**	**389**	**135,580**

	Trade payables and accrued expenses £000	Land creditors £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	19,966	8,003	1,330	–	29,299
More than one year and less than two years	–	–	1,330	–	1,330
More than two years and less than five years	–	–	30,224	–	30,224
31 March 2014	**19,966**	**8,003**	**32,884**	**–**	**60,853**

The maturity profile of the anticipated future cash flows based on the earliest date on which the Company can be required to pay financial liabilities on an undiscounted basis (including future interest payments using the latest applicable rates) is as follows:

	Trade payables and accrued expenses £000	Land creditors £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	24,229	–	3,800	389	28,418
More than one year and less than two years	–	–	3,800	–	3,800
More than two years and less than five years	–	–	102,283	–	102,283
31 March 2015	**24,229**	**–**	**109,883**	**389**	**134,501**

	Trade payables and accrued expenses £000	Land creditors £000	Borrowings £000	Derivative liabilities £000	Total £000
Within one year	18,771	8,003	1,330	–	28,104
More than one year and less than two years	–	–	1,330	–	1,330
More than two years and less than five years	–	–	30,224	–	30,224
31 March 2014	**18,771**	**8,003**	**32,884**	**–**	**59,658**

Notes to the financial statements

31 March 2015

21 Adoption of IFRS 11 'Joint Arrangements'

From 1 April 2014 the Group has adopted IFRS 11 'Joint Arrangements' and as a result, proportional consolidation of joint venture results is no longer allowed. Under IFRS 11, 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 using 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. The impact of adopting these standards is purely presentational and there is no impact on net profits or net assets of the Group.

A reconciliation is included below to show the presentational impact on the Group income statement for the year ended 31 March 2014 and the Group balance sheet at 31 March 2014 and 31 March 2013.

Group income statement reconciliation for the year ended 31 March 2014

	Previously reported £000	Impact of adopting IFRS 11 £000	Restated £000
Total revenue	**140,771**	–	**140,771**
Less share of revenue from joint ventures	–	(46,747)	(46,747)
Group revenue	**140,771**	**(46,747)**	**94,024**
Cost of sales	(98,701)	28,953	(69,748)
Gross profit	**42,070**	**(17,794)**	**24,276**
Administrative expenses	(14,143)	72	(14,071)
Selling expenses	(6,748)	951	(5,797)
Share of results of joint ventures	–	16,714	16,714
Operating profit	**21,179**	**(57)**	**21,122**
Finance income	409	(3)	406
Finance costs	(2,358)	61	(2,297)
Profit before income tax	**19,230**	**1**	**19,231**
Income tax expense	(4,346)	(1)	(4,347)
Profit after income tax	**14,884**	**–**	**14,884**

Group balance sheet reconciliation

	Previously reported 31 March 2014 £000	Impact of adopting IFRS 11 31 March 2014 £000	Restated 31 March 2014 £000	Previously reported 31 March 2013 £000	Impact of adopting IFRS 11 31 March 2013 £000	Restated 31 March 2013 £000
Non current assets						
Investments in joint ventures	–	12,104	12,104	–	8,554	8,554
Property, plant and equipment	1,153	–	1,153	406	–	406
Financial assets	227	–	227	–	–	–
Deferred income tax assets	852	–	852	727	–	727
	2,232	12,104	14,336	1,133	8,554	9,687
Current assets						
Inventories	173,110	(16,951)	156,159	132,478	(36,827)	95,651
Trade and other receivables	6,590	872	7,462	19,377	2,453	21,830
Cash and cash equivalents	32,970	(208)	32,762	23,706	(1,209)	22,497
	212,670	(16,287)	196,383	175,561	(35,583)	139,978
Total assets	**214,902**	**(4,183)**	**210,719**	**176,694**	**(27,029)**	**149,665**
Non current liabilities						
Trade and other payables	(275)	–	(275)	–	–	–
	(275)	–	(275)	–	–	–
Current liabilities						
Trade and other payables	(79,373)	4,183	(75,190)	(44,715)	9,334	(35,381)
Borrowings	(28,135)	–	(28,135)	(58,106)	17,695	(40,411)
Current income tax liabilities	(1,727)	–	(1,727)	(1,141)	–	(1,141)
Hire purchase liabilities	–	–	–	(3)	–	(3)
	(109,235)	4,183	(105,052)	(103,965)	27,029	(76,936)
Total liabilities	**(109,510)**	**4,183**	**(105,327)**	**(103,965)**	**27,029**	**(76,936)**
Net assets	**105,392**	**–**	**105,392**	**72,729**	**–**	**72,729**
Capital and reserves						
Issued share capital	5,940	–	5,940	5,028	–	5,028
Share premium	57,529	–	57,529	38,032	–	38,032
Retained earnings	41,923	–	41,923	29,669	–	29,669
Total equity	**105,392**	**–**	**105,392**	**72,729**	**–**	**72,729**

Independent Auditors' Report to the Members of Telford Homes Plc

Report on the financial statements

Our opinion
In our opinion:

- Telford Homes Plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2015 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
Telford Homes Plc's financial statements comprise:

- the Group and Company balance sheet as at 31 March 2015;
- the Group income statement and Group statement of comprehensive income for the year then ended;
- the Group and Company statement of changes in equity for the year then ended;
- the Group and Company cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Owen Mackney (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans
26 May 2015

(a) The maintenance and integrity of the Telford Homes Plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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