telfordhomes

Press Release **1 June 2016**

Telford Homes Plc

("Telford Homes" or the "Group")

Final Results

Telford Homes Plc (AIM:TEF), the London focused residential property developer, today announces its final results for the year ended 31 March 2016.

Highlights

- Record revenue of £245.6 million, an increase of 42 per cent (2015: £173.5 million)
- Pre-tax profit for the year exceeding original market expectations and increasing by 28 per cent to £32.2 million (2015: £25.1 million)
- Proposed final dividend substantially increased to 7.7 pence bringing the total dividend for the year to 14.2 pence (2015: 11.1 pence)
- Strong demand with 548 new open market sales added in the year and total forward sales at 1 April 2016 amounting to £579 million of future revenue (2015: £503 million)
- Already secured over 50 per cent of the cumulative revenue expected in the next three financial years up to 31 March 2019
- Significant move into institutional Private Rented Sector transactions in the year bringing exceptional capital returns with the potential to be an increasing component of future sales
- Acquisition of the regeneration business of United House Developments in September 2015 added £500 million to the development pipeline
- Development pipeline in excess of £1.5 billion of future revenue, greater than six times the revenue reported in the year to 31 March 2016
- Robust financial position following £50 million equity placing announced in October 2015 along with £140 million of headroom in £180 million revolving credit facility
- Enhanced longer term growth expectations with pre-tax profit forecast to increase over the next three years and to exceed £50 million in the year to 31 March 2019

Commenting on the Final Results, Jon Di-Stefano, Chief Executive of Telford Homes, said: "It has been another exceptional year for Telford Homes resulting in record revenue and profits. The Group has been successful in forward selling homes through traditional channels and has added to this by contracting its first significant sales in the Private Rented Sector. The 2015 equity placing for £50 million, together with substantial headroom in the Group's £180 million revolving credit facility, means Telford Homes is in a strong position to continue its growth.

There have been some recent and justifiable concerns over prime residential properties in London but this is a different market to that served by Telford Homes. The Group is focused on desirable non-prime locations in London at a price point that continues to see strong demand. There is an ongoing housing crisis and a clear imbalance between the supply of homes and the needs of a growing population. Telford Homes is building homes for Londoners in a market where demand continues to significantly outstrip supply, and the Board believes that this undeniable structural factor will underpin the Group's future growth."

- Ends -

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

CHAIRMAN'S STATEMENT

Telford Homes has delivered continued growth in output of homes and profits over the last five years and the year to 31 March 2016 also marks several events that have enhanced the Group's future prospects. The acquisition of the regeneration business of United House and the equity placing raising £50 million before expenses at the end of 2015 were important milestones that have significantly increased both the existing development pipeline and the potential to add to it in the future.

The Group is concentrating on medium to larger sites where greater economies of scale are achieved given the increased capacity of the business. The development pipeline now represents over £1.5 billion of future revenue and the Group continues to appraise many exciting opportunities in non-prime areas of London.

Demand for the Group's typical product has remained strong from investors and owner-occupiers across all developments. In addition, the Board was very pleased to conclude its first substantial Private Rented Sector (PRS) transaction earlier this year with the sale of Pavilions, N1 to L&Q, one of the UK's leading housing associations and one of London's largest residential developers. More recently we have exchanged contracts on a second PRS sale of the open market homes at Carmen Street, E14 to M&G Real Estate. These transactions are de-risking existing developments and leading to substantial improvements in return on capital. PRS sales mark the start of a new direction for Telford Homes in terms of customer mix and have the potential to become an increasingly significant part of the business in the coming years.

Profits for the year to 31 March 2016 have exceeded original market expectations and as a result the final dividend to be paid to shareholders has increased to 7.7 pence making a total of 14.2 pence for the year, a 27.9 per cent increase on the prior year (2015: 11.1 pence). The Board's policy is usually to pay one third of earnings in dividends but, as promised, the dilution caused by the placing has been offset in calculating the dividend for 2016 and the same will apply in 2017.

In February 2016, the Group appointed a new Non-Executive Director, Jane Earl, who has been a welcome addition to the Board. Jane replaces David Holland who will retire from his position on 14 July 2016. David has been with Telford Homes since listing on AIM in 2001 and his tenure included ten years as Chairman of the Group. On behalf of the Board, I cannot thank him enough for his valuable contribution to the success of the business over many years.

Telford Homes is in a stronger position now than ever before with increased equity and a secure and flexible banking facility underpinning a growing business. The need for homes in London continues to significantly exceed supply and this is driving our desire to build more homes in places where people want to live.

Andrew Wiseman
Chairman
31 May 2016

CHIEF EXECUTIVE'S REVIEW

The year to 31 March 2016 has been another successful period for Telford Homes with pre-tax profits increasing by 28 per cent to £32.2 million (2015: £25.1 million). The Group is developing in parts of London where the supply of new homes is nowhere near meeting the demand from people who need a place to live. Telford Homes now has a development pipeline in excess of £1.5 billion which will deliver some of these much needed homes over the next few years and there is the opportunity to do even more. As a result the Board has enhanced its longer term growth expectations with pre-tax profit forecast to increase over the next three years and to exceed £50 million in the year to 31 March 2019.

Sales performance

Strong demand for the Group's homes has ensured continued success with the initial launch, and then the ongoing sale, of each new development over the last 12 months. The recent launch of The Liberty Building, E14 demonstrated that individual investor demand continues to be healthy both in the UK and overseas. The Group secured over £40 million of future revenue across a four week launch in March and April 2016, with 68 of the 105 open market homes sold. A third of these sales were to UK investors and the remainder to international investors, most significantly across a number of cities in China. The development does not complete until 2019 and the average price achieved was around £900 per square foot, which is at the upper end of the Group's typical price range. These prices were ahead of initial expectations and no abnormal incentives were required.

In addition to the development specific launches throughout the last 12 months, the Board is particularly pleased that more than 40 sales with a combined value of over £25 million have been secured through the Group's new central Sales and Marketing Suite in Stratford. This has given Telford Homes a dedicated customer destination in the heart of the Group's operating area and is being used for existing purchaser events alongside attracting new customers.

In total, the Group exchanged contracts for the sale of 403 open market properties in the year to 31 March 2016 and in addition renegotiated the contractual dates on a further 145 open market homes at City North, N4 which formed part of the acquisition from United House in September 2015. Telford Homes acquired the site in the knowledge of needing to renegotiate these contracts and the Board is delighted that this process has effectively secured forward sales of more than £67 million on this development, which is a joint venture with the Business Design Centre in Islington. In summary, the Group has added 548 new sales in the year to 31 March 2016 comparing well to the record breaking 661 achieved last year.

Sales strategy

The Group's strategy of securing forward sales has not changed and, alongside certainty over future cash flows, it 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 twelve months after exchange. At 31 March 2016, just over £70 million of deposits had been taken in advance of future completions (2015: £63.7 million) which has boosted investment in the development pipeline and reduced the need to drawdown debt finance.

Telford Homes started the new financial year to 31 March 2017 with a forward sold position of £579 million of revenue to be recognised from 1 April 2016 onwards, up from £503 million at the same time last year. This will increase as further sales are achieved during the year and already represents more than double the total revenue reported for the year to 31 March 2016. In total, the Group has secured over 50 per cent of the cumulative revenue expected in the next three financial years up to 31 March 2019. This is an exceptionally strong position giving the Board substantial visibility over future revenue and profits.

Customer mix

The sales achieved in the year to 31 March 2016 were split 28 per cent to UK investors, 41 per cent to overseas investors, 7 per cent to owner-occupiers and 24 per cent to institutional investors (Private Rented Sector or PRS). The same percentages last year were 38, 49 and 13 respectively with no comparable PRS sales. The relatively low percentage of sales to owner-occupiers in both years is not a function of a lack of demand and is purely down to the timing of sales. The Group aspires to forward sell its developments to de-risk existing projects and investors purchase much earlier in the development process than owner-occupiers. By de-risking existing projects the Group is able to advance investment into new projects and grow more rapidly.

Telford Homes has sold to a broad mix of customers over a number of years and, given the substantial forward sold position, the Group has considerable flexibility over the future sales strategy. Investor demand continues due to a thriving rental market in typical Telford Homes locations and, despite recent tax changes, individual investors are expected to remain an important component of the Group's sales mix as evidenced by the successful Liberty Building launch. This demand is due to large numbers of tenants ready and waiting to move into new homes in London, most of whom cannot afford to buy or simply do not want to buy. As a result investors have no reason to leave their properties empty and in non-prime locations their purchase decision is driven by securing a rental yield typically between four and six per cent rather than just finding a place for their money.

Telford Homes has developed a strong brand and reputation for excellent quality and this has resulted in a significant number of repeat purchasers. It is pleasing to see that several investors wait for the next Telford Homes development to be brought to the market rather than investing elsewhere. The Group is committed to engaging with customers throughout the entire purchase process including physical handover and beyond. In the 2015 calendar year the Group achieved a 99.5 per cent customer recommendation rate.

In February 2016, Telford Homes announced its first significant transaction in the Private Rented Sector (PRS) with the sale of The Pavilions, N1 to L&Q for £66.75 million. Over the last 12 months it has become clear that there is now effective institutional demand for high quality, well located developments to be 'built for rent' and the Board were very encouraged by the response to the marketing of The Pavilions. As a result the Group conducted a similar exercise for the 150 open market homes on its recently purchased development in Carmen Street, E14 and is delighted to report that contracts were exchanged with M&G Real Estate for net consideration of £63.2 million on 27 May 2016. Both transactions are forward funding arrangements and involve regular payments during the construction process.

PRS sales not only balance risk in the development pipeline and significantly improve return on capital, needing no debt and little equity, but also bring forward profit recognition albeit at a moderately reduced margin. The sales to L&Q and M&G are just the start of the potential for PRS to become a permanent and more significant part of the Group's sales mix. The Board is also exploring whether longer term partnerships can be formed with institutional investors to enable further sales within a relatively fixed framework and to work together on future site acquisitions.

In addition to significant demand from both individual and institutional investors the Group is confident that there remains a strong market in terms of first time buyers and other owner-occupiers at the right price point. Wherever developments have not been sold to investors, the Stratford Sales and Marketing Suite provides an ideal place from which to sell to owner-occupiers ahead of physical completion and 'London Help to Buy', with its greater interest free loan, is likely to increase the number of customers who can fund a purchase. The Group's use of 'Help to Buy' would be further improved by the Government, and mortgage providers, extending the time period for its availability to earlier than the current six months prior to physical completion of each property. The capital investment required for large developments in London does not marry well with waiting to sell until the final six months. Even in the absence of this, it is reassuring to have a healthy market evident across the whole of our customer base.

London market

The fundamental strengths of London remain its robust economy, a strong international reputation and an ever improving transport network. This network will include Crossrail from 2018 which directly benefits a number of the Group's typical areas. Telford Homes is focused on developing in non-prime locations in London with prices typically between £500 and £900 per square foot. The average open market price currently expected across the Group's future development pipeline is approximately £513,000 compared to the March 2016 Land Registry average for London of £535,000.

The demand that Telford Homes is experiencing for new homes is created by a chronic shortage of supply in London. There is no doubt that there is a significant gap between the need for homes and the numbers being built each year and this is likely to widen given predicted population growth in the next decade. Although the rate of construction has increased in recent years, a Central London Development study by Jones Lang LaSalle in April 2016 indicates that, in the Group's core area, both the number of homes applied for in planning and the number of homes commencing construction fell in the second half of 2015. It is clear that addressing the lack of supply of homes in London is critical and fortunately the need to do this has political support at all levels.

The Board recognises that there are people who want to live in London who simply cannot afford to do so and the only solution to this is to build more homes including subsidised housing in whatever form it takes. Nevertheless there are many people who can afford current prices and the associated rents outside of prime London and this is borne out by sales launches and the subsequent occupation of each development. There have been some recent and justifiable concerns over prime residential properties in London but this is a different market to that served by the Group, with the drivers outside of prime areas being housing need and affordability as opposed to just pure investment.

Profits and margins

In terms of financial performance Telford Homes has exceeded original market expectations. Revenue of just under a quarter of a billion pounds is matched by record pre-tax profits of £32.2 million increasing by more than 25 per cent for the fourth consecutive year. The operating margin is in line with the Board's target level of 15 per cent, before interest charges and non-recurring costs relating to the United House acquisition, despite a planned increase in overheads due to the Group's enhanced growth plans.

Since late 2014, sales prices have been tempered by affordability constraints and are now increasing at a more sustainable rate of four to five per cent per annum, offset to some extent by overage payments to land vendors where they share in uplifted values. Build cost inflation has also been evident across the industry but has been controlled to a similar rate of increase and is in accordance with the Board's forecasts. The Group has still not experienced any significant shortages in supply in any of its subcontracted trades or materials but will continue to monitor trends and react accordingly. Telford Homes has strong relationships with its supply chain and places orders with subcontractors as far in advance as possible.

As expected the gross margin before interest charges has reduced to 26.5 per cent (2015: 32.4 per cent) remaining above the Group's 24 per cent target when appraising new opportunities. The Board has previously reported that it anticipated margins trending towards this target level given the similar rate of inflation in both prices and costs. PRS sales are also expected to bring a different dynamic to margins in the future with moderate reductions on relevant developments being offset by exceptional capital returns.

Assisted by PRS sales, the Group no longer expects there to be a significant dip in profit levels in the year to 31 March 2017, an issue originally created by planning delays. Instead the Board expects profit levels to grow particularly into 2018 and 2019 such that profit before tax is now anticipated to exceed £50 million in the year to 31 March 2019, ahead of the expectations announced at the time of the equity placing in October 2015.

Development pipeline

In September 2015, Telford Homes enhanced its development pipeline through the acquisition of the regeneration business of United House Developments. All of the developments that formed part of this transaction have progressed extremely well since acquisition and the Board is delighted with performance to date. The final site in the portfolio, Gallions Quarter, is still awaiting satisfaction of certain conditions and as a result an element of the £23 million acquisition cost remains deferred. Including the United House acquisition, the Group's development pipeline remains in excess of £1.5 billion of future revenue to be recognised from 1 April 2016 onwards. Put in context, this pipeline was just over £600 million three years ago.

In November 2015, the Group successfully concluded an equity placing of 13,888,889 new ordinary shares at 360 pence raising £50 million before expenses. The Group also has headroom of £140 million in its revolving credit facility which, together with the new equity, provides substantial resources to add to the pipeline. Immediately after the placing the Group announced the purchase of the site in Carmen Street, E14 for in excess of £20 million and this has swiftly been turned into a PRS sale in the following months.

There is no shortage of potential 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. Telford Homes has excellent relationships with a number of key landowners, including housing association partners, and has a reputation for delivering on its promises and maximising value for all parties. Many opportunities are being appraised across the Group's target locations and several are the subject of more detailed negotiations. The Board is confident of committing the remainder of the placing funds to site acquisitions before the end of 2016 as previously anticipated.

The planning process

The Group continues to acquire sites subject to receipt of a planning consent or unconditionally without planning but only 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 a land purchase. In addition, subsidised 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 subsidised housing in planning proposals.

During the year to 31 March 2016, Telford Homes secured a number of significant planning consents which will deliver nearly 1,000 homes between them. In addition, the Group is making good progress on all other developments that are at various stages in the planning and design process.

Operations

As Telford Homes continues its growth it becomes even more important to ensure the Group is at the forefront of its peers in terms of the way it builds homes and the quality of the finished product. The Group takes pride in maintaining overall responsibility for the construction of each development using in-house expertise rather than employing main contractors. Having this skillset is extremely valuable to potential development partners and also retains control to ensure consistent high quality and reliable delivery. The Board is delighted that Telford Homes was awarded 'Residential Developer of the Year' at Variety's renowned 2016 'The PROPS' Awards.

The Group is introducing a new Sustainability Strategy entitled 'Building a Living Legacy' which sets out a roadmap for the business to achieve a number of key objectives into the 2020's. This strategy incorporates several economic, social and environmental aspects of building a sustainable business and ultimately creating thriving places for the people that live in and around our developments. The overall aim is to position Telford Homes at the forefront of the industry in terms of sustainability to the ultimate benefit of all stakeholders in the business. More details on this strategy will be made available to shareholders in the near future.

A key part of the Board's vision for the business is to look after each and every person who works for Telford Homes. The Group has maintained a staff turnover rate below 10 per cent every year since formation and this will only be maintained by listening to employees and providing all necessary training, development and individual benefits to encourage a passionate and happy workforce. I would like to thank all of our employees for their dedication and commitment during the last 12 months which has been a period of significant change and expansion for Telford Homes.

Outlook

The Group is focused on desirable non-prime locations in London at a price point that continues to see strong demand. There is a housing crisis in London and a clear imbalance between the supply of homes and the needs of a growing population. This imbalance underpins the Board's plans to increase the number of homes the Group is building both for open market sale and subsidised affordable housing.

Telford Homes is more than 50 per cent forward sold for the next three financial years combined and has a development pipeline greater than six times the revenue reported in the year to 31 March 2016. The move towards PRS sales is an excellent fit with the Group's typical product and area of operation and results in significantly enhanced capital returns.

Following the equity placing in 2015, the Group has sufficient resources to fund its longer term growth plans and the Board expects to deliver a significant increase in both output and profit levels over the next few years.

Jon Di-Stefano
Chief Executive
31 May 2016

FINANCIAL REVIEW

Telford Homes has experienced another excellent year resulting in record revenue and profits. The Group has been successful in forward selling homes through traditional channels and has added to this by contracting its first significant sales in the Private Rented Sector. The recent equity placing raising £50 million before expenses together with substantial headroom in the Group's £180 million revolving credit facility means Telford Homes is in a strong position in terms of funding available to continue its growth.

Presentation of joint ventures

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

The Board has prepared an income statement and a balance sheet using proportional consolidation along with Generally Accepted Accounting Principles (GAAP) compliant versions presenting joint ventures as equity investments. The key performance indicators and other figures within this report include the Group's share of joint venture results. The Board suggests investors follow its lead in assessing the business on the results that include a proportional share of joint ventures. Further detail is included in note 1.

Operating results

Revenue including the Group's share of joint ventures, has increased to a record £245.6 million (2015: £173.5 million). On a Generally Accepted Accounting Principles (GAAP) basis, excluding the Group's share of joint ventures, revenue increased to £242.7 million (2015: £140.4 million).

The increase in revenue was driven by the number of open market residential completions increasing from 374 to 482 although the average selling price of the properties completing reduced slightly to £417,000 (2015: £439,000). This reduction was due to the mix of developments completing in each year in terms of their location and not a fall in underlying prices.

In February 2016, the Group exchanged contracts on the Private Rented Sector sale of The Pavilions, N1 for £66.75 million to a subsidiary of L&Q. This transaction is accounted for as a construction contract and the Group will recognise revenue and profit on a percentage of completion basis over the life of the development with completion expected in the middle of 2018. Private Rented Sector sales can therefore result in the Group recognising profits earlier than if the homes had been sold on the open market.

The Private Rented Sector sales already contracted are being forward funded by the investors and therefore they offer exceptional returns on capital. Forward funding broadly means an initial payment reimbursing the cost of the land then monthly construction payments and finally a substantial payment on completion and as such very little, if any, equity is used during construction and no debt is required. In return for these benefits the Group is accepting a moderately reduced net margin with a lower sale price being offset by savings in selling expenses and interest costs.

The Group continues to recognise revenue from the sale of subsidised affordable housing on a percentage of completion basis throughout the build programme. The contribution of subsidised affordable housing to revenue in each year differs depending on the specific timing of each development.

During the year to 31 March 2016 the Group also completed on the profitable sale of two smaller undeveloped sites for combined revenue of £6.7 million. These sales are as a result of the change in strategic direction reported last year where smaller sites have become less attractive to build out and the Group is able to leverage its size to focus on larger scale developments.

Gross profit has increased to £63.1 million from £53.9 million including the Group’s share of joint ventures and increased to £61.8 million from £38.2 million excluding joint ventures. Gross profit is stated after expensing loan interest that has been capitalised within inventories of £1.9 million (2015: £2.4 million) and, before charging this interest, the gross margin was 26.5 per cent compared to 32.4 per cent last year. This reduction was expected given that the year to 31 March 2015 included some developments that achieved particularly high margins. The margin achieved remains strong and ahead of the Group’s target when appraising new sites of 24 per cent.

Administrative expenses have increased to £19.3 million (2015: £16.7 million) including the Group's share of joint ventures and £19.1 million excluding joint ventures (2015: £16.7 million). This increase is mainly due to higher employee costs and professional fees of £0.4 million incurred in relation to the acquisition of the regeneration business of United House Developments. Both cost increases are a result of securing an enhanced development pipeline and implementing a structure to achieve the future growth planned for the Group.

Selling expenses have increased slightly to £9.4 million (2015: £9.1 million) including the Group's share of joint ventures and £9.2 million excluding the Group's share of joint ventures (2015: £8.6 million). The increase in sales costs is partly due to increased revenue and a larger number of open market completions but also reflects the Groups continued forward sales success. These forward sales help to secure future profits for the Group with the corresponding sales costs being expensed as incurred, usually well in advance of the profit being recognised when the homes legally complete. During the year there were three successful launches that incurred significant selling expenses being Manhattan Plaza, Bermondsey Works and The Liberty Building. These launches secured over £120 million of future revenue but resulted in £4.5 million of sales costs being expensed in the year to 31 March 2016.

The Group's operating margin, calculated before interest and the costs associated with the United House acquisition, reduced to 15.0 per cent (2015: 17.5 per cent). Again this reduction is as expected but, despite the expensing of a large amount of sales costs in relation to future profit recognition and administrative costs that underpin future growth, the Group still achieved its target operating margin of 15 per cent. Profit before tax including the Group's share of joint ventures has increased to a record high of £32.2 million from £25.1 million. The Board expects the year to 31 March 2017 to show no more than a slight improvement in pre-tax profits compared to this year with substantial growth beyond this. A large proportion of this is already visible due to the scale of the development pipeline and the proportion that has been forward sold.

Finance costs

Finance costs actually incurred in the year have reduced to £4.5 million from £5.4 million. This is comprised of £2.2 million (2015: £2.4 million) of interest capitalised into work in progress and £2.3 million (2015: £3.0 million) of finance costs charged directly to the income statement. Average borrowings in the year reduced from £56.0 million to £50.6 million with the majority of the interest charged on these borrowings being capitalised into work in progress.

Finance costs charged directly to the income statement primarily consist of amortised arrangement fees in relation to the new £180 million revolving credit facility and non-utilisation fees. Non-utilisation fees have increased to £1.7 million from £1.4 million. The average amount of debt unutilised in the year has increased to £129.4 million from £69.0 million. This highlights the significant capacity available to the Group in the future and also the reduced costs associated with the Group's new revolving credit facility as non-utilisation fees incurred have not increased in proportion to the average amount unutilised. The majority of the overall reduction in finance costs charged to the income statement is due to arrangement fees. When the new revolving credit facility was signed in March 2015 arrangement fees relating the previous facility of £0.9 million were expensed in that period whereas the current year only includes fees that relate to the new facility which are being amortised over its life until March 2019.

Dividend

Following the equity placing concluded in November 2015 the Board committed to paying a dividend equivalent to one third of earnings prior to the dilutive effect of the new shares. As a result a final dividend of 7.7 pence per share has been proposed. Together with the 6.5 pence interim dividend paid on 10 January 2016 this makes the total dividend for the year 14.2 pence (2015: 11.1 pence). The final dividend is expected to be paid on 15 July 2016 to those shareholders on the register at the close of business on 17 June 2016. Earnings per share, after the partial dilution from the equity placing during the year, increased from 33.2 pence per share to 39.3 pence per share.

Balance sheet and cash

Net assets at 31 March 2016 were £187.0 million, an increase of £66.6 million on the £120.4 at 31 March 2015. This equates to net assets per share of 249.8 pence (31 March 2015: 199.8 pence). The considerable increase in net assets per share is partly due to an increase in retained profits but more significantly to the equity placing in November 2015 of 13,888,889 ordinary shares at 360 pence which raised £50 million prior to expenses.

The Group has continued to invest in land and work in progress with inventories, including the Group's share of joint ventures, increasing from £277.2 million to £285.6 million. Excluding joint ventures inventories reduced from £254.7 million to £239.0 million with the balance being recorded within investments in joint ventures.

The increase in investments in joint ventures is as a result of the significant land purchase at Chobham Farm North in Stratford and also the acquisition of the regeneration business of United House Developments, which included a number of joint ventures. The acquisition took place in September 2015 for £23.0 million and gave Telford Homes an interest in four significant development sites located within the Group's operating area. The purchase of one of the sites is still conditional and thus part of the consideration is held in escrow until the conditions are satisfied. The Group expects this to happen in the near future.

The Group continues to secure forward sales and benefit from the deposits received in advance of those sales completing. The Group had secured £579 million in forward sales by 1 April 2016 which will be recognised in future years. Total deposits received in advance as at 31 March 2016 increased to £70.3 million (2015: £63.7 million). Deposits are paid on exchange of contracts with a minimum 10 per cent received at that point and, where the Group is selling well ahead of completion, a further 10 per cent is paid 12 months after exchange. The full amount of the deposit paid is released to the Group to invest in the business.

Borrowings

In March 2015 the Group secured a new revolving credit facility for £180 million which was increased from £120 million. This new facility runs until March 2019 and allows the Group to be much more flexible in its approach to site acquisitions. It is governed by standard corporate covenants together with site covenants on a portfolio basis. During the year the Group has benefited from a significantly reduced rate of interest compared to the previous facility as the rate is determined by the Group's gearing which has remained low throughout the year. The margin payable on the facility can vary from 2.8 per cent to 4 per cent dependent on gearing.

During the year the Board took advantage of favourable market conditions on longer term interest rate hedge products and entered into an interest rate swap on a proportion of its future anticipated drawn debt. This has reduced the Group's exposure to interest rate increases and will become effective from 1 October 2016 expiring on 4 March 2019. The swap initially secures the interest rate the Group will pay on £50 million of debt increasing to £100 million from 4 June 2017 as the Group's debt utilisation is expected to increase over this period.

As at 31 March 2016 the Group had utilised £40 million of the facility (31 March 2015: £95 million) leaving £140 million of headroom for investment in the existing and future development pipeline. Gearing has reduced to 9.3 per cent (2015: 43.9 per cent) although this is expected to increase in future years as the Group utilises more of the facility. The headroom in the facility along with the increased equity due to the placing means the Group is in a very strong financial position to enable the significant growth expected over the next few years.

Katie Rogers
Financial Director
31 May 2016

GROUP INCOME STATEMENT INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS FOR THE YEAR ENDED 31 MARCH 2016

	Non-GAAP Year ended 31 March 2016 £000	**Non-GAAP Year ended 31 March 2015 £000**
Revenue	245,581	173,452
Cost of sales	(182,438)	(119,592)
Gross profit	**63,143**	**53,860**
Administrative expenses	(19,250)	(16,693)
Selling expenses	(9,365)	(9,147)
Operating profit	**34,528**	**28,020**
Finance income	153	146
Finance costs	(2,478)	(3,038)
Profit before income tax	**32,203**	**25,128**
Income tax expense	(6,477)	(5,464)
Profit after income tax	**25,726**	**19,664**

GROUP BALANCE SHEET INCLUDING PROPORTIONAL SHARE OF JOINT VENTURE RESULTS AT 31 MARCH 2016

	Non-GAAP 31 March 2016 £000	Non-GAAP 31 March 2015 £000
Non current assets		
Goodwill	383	-
Property, plant and equipment	1,485	1,028
Deferred income tax assets	230	866
	2,098	1,894
Current assets		
Inventories	285,610	277,161
Trade and other receivables	31,362	11,451
Cash and cash equivalents	20,856	39,701
	337,828	328,313
Total assets	**339,926**	**330,207**
Non current liabilities		
Trade and other payables	(1,358)	(679)
Financial liabilities	(661)	(389)
	(2,019)	(1,068)
Current liabilities		
Trade and other payables	(109,363)	(113,732)
Borrowings	(38,182)	(92,559)
Financial liabilities	(194)	-
Current income tax liabilities	(3,198)	(2,460)
	(150,937)	(208,751)
Total liabilities	**(152,956)**	**(209,819)**
Net assets	**186,970**	**120,388**
Capital and reserves		
Issued share capital	7,485	6,025
Share premium	106,423	58,551
Retained earnings	73,062	55,812
Total equity	**186,970**	**120,388**

GROUP INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Note	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Total revenue		**245,581**	**173,452**
Less share of revenue from joint ventures		(2,902)	(33,007)
Group revenue		**242,679**	**140,445**
Cost of sales		(180,869)	(102,215)
Gross profit		**61,810**	**38,230**
Administrative expenses		(19,056)	(16,675)
Selling expenses		(9,177)	(8,569)
Share of results of joint ventures		965	15,047
Operating profit		**34,542**	**28,033**
Finance income		117	142
Finance costs		(2,344)	(3,038)
Profit before income tax		**32,315**	**25,137**
Income tax expense	3	(6,589)	(5,473)
Profit after income tax		**25,726**	**19,664**
Earnings per share:			
Basic	5	39.3p	33.2p
Diluted	5	38.9p	32.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Movement in derivative financial instruments hedged	(466)	(616)
Movement in deferred tax on derivative financial instruments hedged	93	125
Other comprehensive expense net of tax (items that may be subsequently reclassified into profit or loss)	**(373)**	**(491)**
Profit for the year	25,726	19,664
Total comprehensive income for the year	**25,353**	**19,173**

GROUP BALANCE SHEET
AT 31 MARCH 2016

	31 March 2016 £000	31 March 2015 £000
Non current assets		
Goodwill	304	-
Investment in joint ventures	42,101	2,686
Property, plant and equipment	1,485	1,028
Deferred income tax assets	190	866
	44,080	4,580
Current assets		
Inventories	238,976	254,704
Trade and other receivables	31,662	11,694
Cash and cash equivalents	20,709	39,659
	291,347	306,057
Total assets	**335,427**	**310,637**
Non current liabilities		
Trade and other payables	(1,358)	(679)
Financial liabilities	(661)	(389)
	(2,019)	(1,068)
Current liabilities		
Trade and other payables	(104,871)	(94,162)
Borrowings	(38,182)	(92,559)
Financial liabilities	(194)	-
Current income tax liabilities	(3,191)	(2,460)
	(146,438)	(189,181)
Total liabilities	**(148,457)**	**(190,249)**
Net assets	**186,970**	**120,388**
Capital and reserves		
Issued share capital	7,485	6,025
Share premium	106,423	58,551
Retained earnings	73,062	55,812
Total equity	**186,970**	**120,388**

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

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2014	**5,940**	**57,529**	**41,923**	**105,392**
Profit for the year	-	-	19,664	19,664
Total other comprehensive expense	-	-	(491)	(491)
Movement in 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**
Profit for the year	-	-	25,726	25,726
Total other comprehensive expense	-	-	(373)	(373)
Movement in excess tax on share options	-	-	(75)	(75)
Dividend on equity shares	-	-	(8,443)	(8,443)
Proceeds of equity share issues	1,460	47,872	-	49,332
Share-based payments	-	-	218	218
Purchase of own shares	-	-	(598)	(598)
Sale of own shares	-	-	795	795
Balance at 31 March 2016	**7,485**	**106,423**	**73,062**	**186,970**

GROUP CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2016

	Year ended 31 March 2016 £000	Year ended 31 March 2015 £000
Cash flow from operating activities		
Operating profit	34,542	28,033
Depreciation	610	603
Write down in value of own shares	218	218
(Profit) loss on sale of tangible assets	(44)	15
Decrease (increase) in inventories	17,914	(96,134)
Increase in receivables	(19,969)	(4,250)
Increase in payables	11,499	19,530
Share of results from joint ventures	(965)	(15,047)
	43,805	(67,032)
Interest paid and debt issue costs	(4,017)	(6,603)
Income taxes paid	(5,468)	(4,324)
(Investment in) distribution from joint ventures	(19,888)	24,465
Cash flow from operating activities	**14,432**	**(53,494)**
Cash flow from investing activities		
Purchase of tangible assets	(1,067)	(492)
Proceeds from sale of tangible assets	44	-
Consideration paid for business combination	(18,562)	-
Interest received	117	142
Cash flow from investing activities	**(19,468)**	**(350)**
Cash flow from financing activities		
Proceeds from issuance of ordinary share capital	49,332	1,107
Purchase of own shares	(598)	(670)
Sale of own shares	795	924
Increase in bank loans	-	95,000
Repayment of bank loans	(55,000)	(29,559)
Dividend paid	(8,443)	(6,061)
Cash flow from financing activities	**(13,914)**	**60,741**
Net (decrease) increase in cash and cash equivalents	**(18,950)**	**6,897**
Cash and cash equivalents brought forward	39,659	32,762
Cash and cash equivalents carried forward	**20,709**	**39,659**

NOTES

1 Basis of preparation

The financial information set out above does not constitute statutory accounts for the year ended 31 March 2016 or 2015 but is derived from those accounts. Statutory accounts for the year ended 31 March 2015 have been delivered to the Registrar of Companies and the statutory accounts for the year ended 31 March 2016 will be delivered to the Registrar of Companies and sent to all shareholders shortly. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

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

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

The statutory accounts for the year ended 31 March 2016, including the comparative information for the year ended 31 March 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) including International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The directors have assessed the Group’s projected business activities and available financial resources together with detailed forecasts for cash flow and relevant sensitivity analysis. The directors believe that the Group remains well placed to manage its business risks successfully. After making appropriate enquiries the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the statutory accounts for the year ended 31 March 2016.

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

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

2 Accounting policies

Accounting convention

The statutory accounts for the year ended 31 March 2016 have been prepared under historical cost convention as modified for reassessment of derivatives at fair value and on a basis consistent with the accounting policies in the financial statements for the year ended 31 March 2015 with the exception of the new accounting standards and accounting policies noted below. The accounting policies will be disclosed in full within the Group's forthcoming financial statements.

Business combinations

Business combinations are accounted for from the date control is transferred and the Group applies the acquisition method of accounting. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at the fair value at the acquisition date. Acquisition related costs are expensed as incurred.

3 Taxation

Taxation has been calculated on the profit for the year ended 31 March 2016 at the estimated effective tax rate of 20.4% (2015: 21.8%).

4 Dividend paid	**Year ended 31 March 2016 £000**	**Year ended 31 March 2015 £000**
Final dividend paid in July 2015 of 6.0p (July 2014: 5.1p)	3,618	3,029
Interim dividend paid in January 2016 of 6.5p (January 2015: 5.1p)	4,825	3,032
	8,443	**6,061**

The final dividend proposed for the year ended 31 March 2016 is 7.7 pence per ordinary share. This dividend was declared after 31 March 2016 and as such the liability of £5,763,000 has not been recognised at that date.

5 Earnings per share

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

Earnings per share have been calculated using the following figures:

	Year ended 31 March 2016	**Year ended 31 March 2015**
Weighted average number of shares in issue	65,498,340	59,246,624
Dilution - effect of share schemes	572,176	1,067,436
Diluted weighted average number of shares in issue	66,070,516	60,314,060
Profit on ordinary activities after taxation	£25,726,000	£19,664,000
Earnings per share:		
Basic	39.3p	33.2p
Diluted	38.9p	32.6p

6 Segmental reporting

The Group has only one reportable segment being housebuilding in the United Kingdom. Financial analysis is presented on this basis to the chief 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 Generally Accepted Accounting Principles (GAAP) compliant information in the financial statements is as follows:

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

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**

7 Business combinations

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

An amount of £22.97 million was paid on 19 September once the Group had undertaken a detailed diligence process. This includes an amount which is held in escrow relating to one of the four developments, Gallions Quarter, where completion is conditional on UHGHL securing a legal interest in the site. In addition it also includes payments for expenditure during the period from 30 June 2015 to 19 September 2015. The consideration for the business combination as at 30 June was £18.56 million.

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

Consideration as at 30 June 2015

	£000
Cash	18,562
Total consideration paid	**18,562**

Recognised amounts of identifiable assets acquired and liabilities assumed which were consolidated as at 30 June 2015 were:

Non current assets	**£000**
Investments in joint ventures	16,043
Current assets	
Inventories	2,352
Trade and other receivables	467
Non current liabilities	
Deferred tax liability	(304)
Current liabilities	
Trade and other payables	(300)
Total fair value of net assets	**18,258**
Goodwill	304
Total	**18,562**

Acquisition related costs of £393,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 March 2016. Revenue and profit recognised since the date of acquisition are minimal and not significant to the Group.

The fair value of inventories acquired including the Group's share of joint venture inventories was £18,153,000. Included within this value is an uplift on cost of £1,917,000. The method for determining the fair value of inventory is to use the expected selling price less costs to complete, costs of disposal and expected margin for each development.

All other assets and liabilities were valued at fair value which corresponds to the previous book value.

8 Equity issue

On 16 November 2015 the Company issued 13,888,889 10 pence ordinary shares at 360 pence per share as a result of a share placing.

9 Annual report

Copies of this announcement are available from the Group at Telford House, Queensgate, Britannia Road, Waltham Cross, Hertfordshire EN8 7TF. The Group's annual report for the year ended 31 March 2016 will be posted to shareholders shortly and will be available on our website at www.telfordhomes.london.

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