

## NOTES TO THE FINANCIAL STATEMENTS

31 MARCH 2018

### 22 Key management information and Alternative Performance Measures

The strategic report includes both statutory and Alternative Performance Measures (APMs). The Board uses APMs which, although financial measures of either historical or future performance, financial position or cash flows, are not defined or specified by IFRS. The APMs, in management's view, better reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

Our APMs and associated KPIs (see pages 34 and 35) are aligned to our strategy and are used by the Board for planning, reporting, to measure the performance of the business and form the basis of the performance measures linked to remuneration. The measures are also used in discussions with the investment analyst community and current and potential shareholders.

The APMs used by the Board are defined and explained below.

#### Key management information including the Group's share of joint ventures result proportionally consolidated

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 as set out on pages 70 and 71.

Where revenue and profit metrics include the Group's share of joint venture results proportionally consolidated, they are defined and referred to as set out below.

**Total revenue** – Total revenue is defined as IFRS revenue plus the Group's share of revenue from its joint ventures.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Revenue	294,781	265,975
Share of joint venture revenue	21,460	25,946
<b>Total revenue</b>	<b>316,241</b>	<b>291,921</b>

**Total gross profit** – Total gross profit is defined as IFRS gross profit plus the Group's share of gross profit from its joint ventures.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Gross profit	74,755	57,009
Share of joint venture gross profit	4,714	6,192
<b>Total gross profit</b>	<b>79,469</b>	<b>63,201</b>

**Total operating profit** – Total operating profit is defined as IFRS operating profit plus the Group's share of operating profit from its joint ventures.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Operating profit	47,437	36,773
Share of joint venture operating profit	1,325	532
<b>Total operating profit</b>	<b>48,762</b>	<b>37,305</b>

**Total profit before tax** – Total profit before tax is defined as IFRS profit before tax plus the Group's share of profit before tax from its joint ventures.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Profit before tax	46,308	34,632
Share of joint venture profit before tax	(270)	(504)
<b>Total profit before tax</b>	<b>46,038</b>	<b>34,128</b>

### Adjusted margins

The Board reviews margins at a gross and operating level before the inclusion of any interest costs capitalised within work in progress and subsequently expensed through cost of sales. This is consistent with the approach used by the business when appraising land and therefore allows comparability to the original site purchase viability and also comparability across the sector as many of the Group's peers do not capitalise interest per IAS 23.

**Adjusted gross margin** – is calculated as the IFRS gross profit plus the Group's share of gross profit from its joint ventures (total gross profit), adjusted for interest expensed through cost of sales, divided by total revenue, expressed as a percentage.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Total gross profit	79,469	63,201
Adjust for interest expensed within cost of sales	4,180	1,907
Adjusted total gross profit	83,649	65,108
Total revenue	316,241	291,921
<b>Adjusted gross margin</b>	<b>26.5%</b>	<b>22.3%</b>

**Adjusted operating margin** – is calculated as the IFRS operating profit plus the Group's share of operating profit from its joint ventures (total operating profit), adjusted for interest expensed through cost of sales, divided by total revenue, expressed as a percentage.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Total operating profit	48,762	37,305
Adjust for interest expensed within cost of sales	4,180	1,907
Adjusted total operating profit	52,942	39,212
Total revenue	316,241	291,921
<b>Adjusted operating margin</b>	<b>16.7%</b>	<b>13.4%</b>

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### 22 Key management information and Alternative Performance Measures continued

#### Other APMs

The other APMs and KPIs used by the Group are defined below. Further details of KPIs are also included on pages 34 and 35.

#### Total finance costs incurred

Total finance costs incurred, including the Group's share of joint venture finance costs, consist mainly of interest on development financing, non-utilisation fees and amortised arrangement fees. Interest on development financing is capitalised into work in progress as required by IAS 23 and all other fees are charged directly to the income statement.

	Year ended 31 March 2018 £000	Year ended 31 March 2017 £000
Non-utilisation fees	2,445	2,522
Amortisation of arrangement fees	905	788
Other finance costs	272	27
Interest capitalised within work in progress	5,175	2,151
<b>Total finance costs incurred</b>	<b>8,797</b>	<b>5,488</b>

**Gearing** – Gearing is calculated as net debt (total borrowings less total cash), including the Group's share of joint venture debt and cash proportionally consolidated, divided by net assets expressed as a percentage.

	31 March 2018 £000	31 March 2017 £000
Total borrowings	116,899	54,085
Total cash	(13,829)	(39,834)
Net debt	103,070	14,251
Net assets	231,091	204,285
<b>Gearing</b>	<b>44.6%</b>	<b>7.0%</b>

#### Development pipeline

The development pipeline is defined as revenue under the Group's control, including the Group's share of joint venture revenue, to be recognised in future years.

#### Forward sales

The forward sales statistic is calculated as revenue secured by exchange of contract, including the Group's share of joint venture revenue, to be recognised in future years.